



# 2011 ANNUAL REPORT

*We love efficiency*





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WE LOVE EFFICIENCY

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# Corporate Profile

China Sunergy Co. Ltd. (Nasdaq: CSUN) is a China-based manufacturer of high performance solar cell and module products.



As one of the earliest solar cell manufacturers in China, we commenced operations in August 2004 and were publicly listed on the NASDAQ in 2007. Known for our leading-edge technology in the photovoltaic (PV) industry, we have grown rapidly in recent years. We became a module provider in November 2010 through an acquisition of two module manufactures. This facilitated our strategy of expanding into downstream solar power business. As of December 31, 2011, China Sunergy had an annual cell capacity of 404 MW and module capacity of 915 MW. Our goal is to further expand our production capacity to approximately 780MW for solar cells and 1.15GW for solar modules by the end of 2012.

China Sunergy's R&D team is led by Dr. Zhao Jianhua, one of the leading PV scientists in the world. Dr. Zhao has previous experience working with high efficiency solar cells, including developing what were the most efficient crystalline silicon solar cells in the world and has kept the world record for over 20 years. Our R&D efforts focus on continually enhancing the conversion efficiency of our products. We are

the first PV solar company that successfully applied selective emitter technology to industrialized production. In 2011, we commercially launched high efficiency products, QSAR™ solar cells and modules. In addition, we have launched two more new products, PSAR™ solar products and bifacial modules, in early 2012.

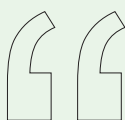
Our presence extends globally to in the Asia Pacific region, North America and Europe/Middle East/Africa (EMEA), We achieved remarkable results in expanding our presence in emerging markets in 2011, such as in India, China and Australia. In 2012, we will continue our efforts in developing new markets and engaging in investments in solar projects in Europe, US and China.

The many challenges currently facing solar industry also present growth opportunities. China Sunergy will continue to explore these opportunities, maintain our leading position in technology, and strive to fulfill our strategy and vision.

# Chairman's Letter to Investors



Dear Shareholders,



2011 was an extremely challenging year for the entire solar photovoltaic industry and a year of measured accomplishments for China Sunergy. The industry battled simultaneously falling prices, over-capacity, and soft demand, amid uncertain feed-in tariff policies. As for China Sunergy, we achieved a 20.8% year-on-year increase in total megawatts shipped. We secured a solid credit facility from banks including China Development Bank. Despite average selling prices (ASPs) dropping precipitously, we optimized our cost structure. In 2011, we expanded our sales into Europe and increased sale volumes in Italy, France and Belgium. When demand fell in Europe, we extended our presence in emerging markets such as India, China and Australia, and elsewhere. We continued to strengthen our leading position in research and development by successfully launching a new type of high efficiency solar cells and modules named "QSAR™", and expect to bring more new

products to market in 2012.

## Industry Dynamics

In 2011, market demand was soft, oversupply posed a significant issue, and ASPs for solar modules fell dramatically. Uncertainty over feed-in tariffs in Italy and subsidy cuts in many key markets led to an inventory pile-up on one side and fast dropping prices on the other. In the second half of 2011, there was an increase in market demand, but volatility persisted, and many manufacturers had to cut costs in the face of the challenging market reality. Meanwhile the persistent debt situation in Europe made it hard for end-users to obtain project financing.

Today, the oversupply situation is improving. Solar energy is moving closer to grid parity and becoming more economically viable for end-users. However, the largest solar power markets in the world, Germany and Italy, have cut subsidies dramatically, and customers in those markets have faced a tightened credit environment. China Sunergy has countered these issues by tightening credit control policies and diversifying our overall customer base to reach out to markets outside Europe. Our installations in India, China, and other regions grew rapidly in 2011.

Perhaps the most significant industry change in 2011 was the elevation of our home market, China. Domestic PV demand in China grew to 2.75 GW in 2011, making it the third largest PV market globally. Latest forecasts under the moderate and positive scenarios from Solarbuzz suggest that the PV market in China may almost double in 2012 and that the country could rank #1 or #2 worldwide. Key incentive policies within China include both feed-in tariff mechanisms and government rebate programs. In the meantime, overcapacity and the market is competitive drove many smaller players out of the market. We believe that this trend may benefit the industry and China Sunergy. Amid the changing landscape for global supply and demand, the Company faces short-term challenges as well as long-term opportunities. The board and senior management are working hard to secure and sustain our position and reputation as a high quality, high efficiency, and service-oriented supplier.



### Strategy and Expansion Plans

China Sunergy has four major strategies in 2012.

First, we will continue to invest in our research and development and further expanding our QSAR™ products manufacturing capacity. We had an aggregate annual production capacity of solar cells of about 400 MW, and an aggregate annual production capacity of solar modules of 915 MW as of December 31, 2011, respectively. In 2012, we will further increase the production capacity of our high-efficiency solar cells in order to fill the existing gap between our solar module manufacturing capacity and our solar cells manufacturing capacity.

Second, we hope to have the opportunity to invest in more solar power projects. We aim to work closely with our engineering, procurement and construction partners to locate and identify the suitable projects. To invest in such solar power projects alongside our partners will help us to increase share in the target markets, enhance our branding and most importantly, improve our profitability.

Third, we will continue to focus on cost reduction – for example, upgrading equipment to increase production efficiency, sourcing from strategic suppliers new materials and applications, bringing down labor costs, and reducing energy consumption in the manufacturing process.

Fourth, we will continue to beef up and localize our sales force around the world. We increased our sales force in Asia by 60% in 2011. In France and Germany, we are almost entirely localized. We are setting up sales offices in Mumbai, Rome and Tokyo in 2012 to better serve our local customers.

One of our primary advantages and distinctions is our technology. Our R&D team is headed by our CTO, Dr. Zhao Jianhua and our VP, Dr. Aihua Wang, who have developed the most efficient crystalline silicon solar cell in the world while working at the Photovoltaics Special Research Centre of the University of New South Wales, Australia in 1990. They have created and bettered their world records of crystalline silicon solar cells for over 20 years. We will soon complete a new R&D center on our corporate campus in Nanjing, China, where we will focus on improving cell efficiency and enhancing manufacturing yields to produce next-generation of high efficiency solar cells.

### Future Outlook

Despite the challenges in 2011, China Sunergy persevered and grew its business. Our shipment and profitability levels were much lower than we expected at the beginning of 2011 primarily due to the deterioration of market conditions which impacted the entire industry. We believe that, as our solar module business expands, the cost reduction achieved through research and development efforts at each stage of our manufacturing process will have a positive effect on our gross margins over time. We believe that our current levels of cash balances will be sufficient to meet our anticipated cash needs to fund our operations. We have confidence in the long-term prospect of renewable energy and the turn-around of the solar industry in the near future.

We take our responsibilities as a publicly-listed company very seriously, and we strive to protect the interests of all our shareholders and continually create long-term value for them. We will continue to strive to improve our quality of guidance

and communications with investors and analysts.

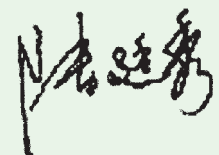
We offer sincere thanks to our employees, all of whom help us achieve our vision and earn your confidence. We look forward to the year ahead and to sharing our progress and strategy with you, our investors.

### Safe Harbor Statement

This announcement contains forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical facts in this announcement are forward-looking statements. These forward-looking statements are based on current expectations, assumptions, estimates and projections about the Company and the industry, and involve known and unknown risks and uncertainties, including but not limited to, the Company's ability to raise additional capital to finance the Company's activities; the effectiveness, profitability, and the marketability of its products; litigations and other legal proceedings, including any decisions by the ITC and DOC on the petitions filed; the economic slowdown in China and elsewhere and its impact on the Company's operations; demand for and selling prices of the Company's products, the future trading of the common stock of the Company; the ability of the Company to operate as a public Company; the period of time for which its current liquidity will enable the Company to fund its operations; the Company's ability to protect its proprietary information; general economic and business conditions; the volatility of the Company's operating results and financial condition; the Company's ability to attract or retain qualified senior management personnel and research and development staff; future shortage or availability of the supply of raw materials; impact on cost-competitiveness as a result of entering into long-term arrangements with raw material suppliers and other risks detailed in the Company's filings with the Securities and Exchange Commission. The Company undertakes no obligation to update forward-looking statements to reflect subsequent occurring events or circumstances, or to changes in its expectations, except as may be required by law. Although the Company believes that the expectations expressed in these forward looking statements are reasonable, they cannot assure you that their expectations will turn out to be correct, and investors are cautioned that actual results may differ materially from the anticipated results. The financial information referenced in this announcement is extracted from the Company's condensed consolidated financial statements included in its 2011 annual report on Form 20-F for the year ended December 31, 2011 which has been filed with the Securities and Exchange Commission.

”

**Tingxiu Lu**  
Chairman of the Board



## Board of directors:

**Mr. Tingxiu LU**

Chairman

**Dr. Jianhua ZHAO**

Director, Chief Technology Officer

**Mr. Stephen Zhifang CAI**

Director, Chief Executive Officer

**Mr. Shiliang GUO**

Director

**Mr. Xiaoqian ZHOU**

Independent director

**Ms Jian LI**

Independent director

**Mr. Steve Morgan**

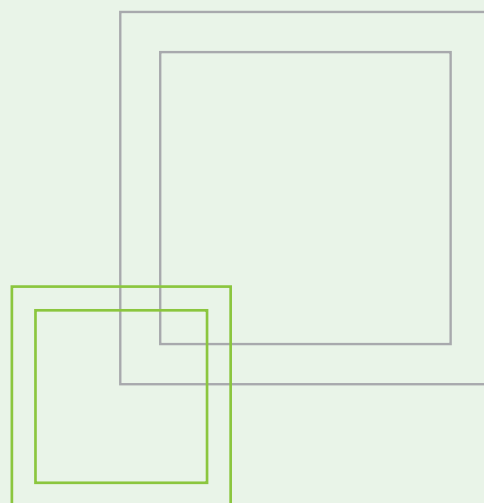
Independent director

**Mr. Wenze WANG**

Independent director

**Ms Merry TANG**

Independent director



# Senior Management:



**Mr. Stephen Zhifang CAI**  
Director,  
Chief Executive Officer



**Dr. Jianhua ZHAO**  
Director,  
Chief Technology Officer



**Dr. Aihua WANG**  
Vice President,  
General Manager of R& D



**Mr. Yongfei CHEN**  
Chief Financial Officer



# CHINA SUNERGY CO., LTD.

## FORM 20-F

(Annual and Transition Report (foreign private issuer))

Filed 04/26/12 for the Period Ending 12/31/11

Telephone	(8625)5276 6890
CIK	0001396247
Symbol	CSUN
SIC Code	3674 - Semiconductors and Related Devices
Industry	Semiconductors
Sector	Technology
Fiscal Year	12/31

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

**FORM 20-F**

(Mark One)

- ☐ **Registration statement pursuant to Section 12(b) or 12(g) of the Securities Exchange Act of 1934**
- or**
- ☒ **Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 For the fiscal year ended December 31, 2011.**
- or**
- ☐ **Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 For the transition period from \_\_\_\_\_ to \_\_\_\_\_**
- or**
- ☐ **Shell company report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 Date of event requiring this shell company report \_\_\_\_\_**

Commission file number: 001-33433

**CHINA SUNERGY CO., LTD.**

(Exact name of Registrant as specified in its charter)

N/A

(Translation of Registrant's name into English)

Cayman Islands

(Jurisdiction of incorporation or organization)

No. 123 Focheng West Road  
Jiangning Economic & Technical Development Zone  
Nanjing, Jiangsu 211100, People's Republic of China  
(Address of principal executive offices)

Stephen Zhifang Cai, (86 25) 5276 6666,  
stephen.cai@chinasunergy.com,

No. 123 Focheng West Road  
Jiangning Economic & Technical Development Zone  
Nanjing, Jiangsu 211100, People's Republic of China

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

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

<u>Title of each class</u>	<u>Name of each exchange on which registered</u>
American Depositary Shares, each representing 18 ordinary shares, par value \$0.0001 per share	Nasdaq Global Select Market

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

None

(Title of Class)

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

None

(Title of Class)

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

**267,287,253 ordinary shares, par value \$0.0001 per share, as of December 31, 2011.**

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐

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

Large accelerated filer ☐ Accelerated filer ☒ Non-accelerated filer ☐

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

U.S. GAAP ☒ International Financial Reporting Standards as issued by the International Accounting Standards Board ☐ Other ☐

If “other” has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. Item 17 ☐ Item 18 ☐

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

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

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

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## INTRODUCTION

In this annual report, except where the context otherwise requires:

- “we,” “us,” “our company,” “our,” “Sunergy” and “China Sunergy” refer to China Sunergy Co., Ltd., a limited liability company established in Cayman Islands, its predecessor entities and its subsidiaries;
- “Sunergy Nanjing” refers to China Sunergy (Nanjing) Co., Ltd., previously named CEEG (Nanjing) PV-Tech Co., Ltd., a limited liability company established in China;
- “SST” refers to CEEG (Shanghai) Solar Science Technology Co., Ltd., a limited liability company established in China;
- “NRE” refers to CEEG (Nanjing) Renewable Energy Co., Ltd., a limited liability company established in China;
- “shares” or “ordinary shares” refers to our ordinary shares;
- “ADSs” refers to our American depositary shares. On December 21, 2011, we effected a change of the ADS to ordinary share ratio from one ADS representing six ordinary shares to one ADS representing 18 ordinary shares. The ratio change has the same effect as a one-for-three ADS consolidation. “ADRs” refers to the American depositary receipts that evidence our ADSs;
- “China” or “PRC” refers to the People’s Republic of China, excluding, for the purposes of this annual report, the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan;
- “RMB” or “Renminbi” refers to the legal currency of China; “\$” or “U.S. dollars” refers to the legal currency of the United States; and “Euro” or “€” refers to the legal currency of the European Union;
- “original equipment manufacturing” or “OEM” refers to arrangements under which we process silicon wafers provided by our customers into solar cells, or process solar cells provided by our customers into solar modules, and charge processing fees from these customers;
- “selective emitter cell” refers to a solar cell in which the regions under its front metal contact and the rest of the front surface areas are separately diffused and optimized;
- “HP solar cell” refers to a more efficient version of our standard P-type cell, the conversion efficiency of which may generally be higher than that of a standard P-type solar cell as a result of an enhanced production process used;
- “QSAR<sup>™</sup> solar power product” refers to QSAR<sup>™</sup> cells and QSAR<sup>™</sup> modules. QSAR<sup>™</sup> cell is a kind of new P-type solar cell with a structure enabling us to reach a record cell conversion efficiency of 19% on QSAR<sup>™</sup> production line in 2011. QSAR<sup>™</sup> cells are assembled into QSAR<sup>™</sup> modules. Our QSAR<sup>™</sup> solar products had been originally branded as “Quasar” before March 2012. We are filing trademark registration applications for the logos “QSAR” and “PSAR” in China, European Union, India, United States and Australia;
- “PSAR<sup>™</sup> solar power product” refers to PSAR<sup>™</sup> cells and PSAR<sup>™</sup> modules. PSAR<sup>™</sup> cell is a kind of cell produced from mono-like wafers. PSAR<sup>™</sup> cells improve light response efficiency and conversion efficiency at a lower cost. By using the high quality mono-like wafers, PSAR<sup>™</sup> cell production process narrows the distribution of conversion efficiency and facilitates quality control process. In addition, PSAR<sup>™</sup> cell technology adapts other new technologies developed by us to improve conversion efficiency. PSAR<sup>™</sup> cells are assembled into PSAR<sup>™</sup> modules, which fill in the rate gap between multicrystalline modules and monocrystalline modules and thus aim to satisfy our clients’ needs;



- “Bi-facial solar power product” refers to bi-facial solar cells and bi-facial solar modules. Bi-facial solar cells are a special type of crystal silicon solar cell which can receive sunlight and produce electrical power from both front and rear surfaces. Bi-facial solar cells are designed with a special structure and metal contact so that they can produce more power from illumination on both sides. Bi-facial solar cells are assembled into bi-facial solar modules, which may be applied in residential situations such as carports, fences, trellises, and porch and patio covers.
- when calculating our manufacturing or production capacity of solar cells, we have assumed that all products will be made using 156-millimeter monocrystalline silicon wafers, even though we currently use and expect to continue to use a mixture of monocrystalline and multicrystalline silicon wafers, each in sizes of 125-millimeter and 156-millimeter; to the extent we use smaller wafers or multicrystalline wafers, our actual production will be less than our capacity.

Our financial statements are expressed in the U.S. dollar, which is the reporting and functional currency of China Sunergy Co., Ltd. This annual report contains translations of certain Renminbi amounts into U.S. dollars at the rate of RMB6.2939 to \$1.00, the noon buying rate in effect on December 30, 2011 in New York City for cable transfers of Renminbi as certified for customs purposes by the Federal Reserve Bank of New York. We make no representation that any Renminbi or U.S. dollar amounts referred to in this annual report could have been, or could be, converted to U.S. dollars or Renminbi, as the case may be, at any particular rate, or at all. See “Item 3. Key Information—D. Risk Factors—Risks Related to Our Company and Our Industry—Fluctuations in exchange rates could adversely affect our business.” On April 20, 2012, the noon buying rate was RMB6.3080 to \$1.00.

We completed our initial public offering of 9,775,000 ADSs (approximately 3,258,333 ADSs if retroactively adjusted to reflect the ADS to ordinary share ratio change) on May 22, 2007. On May 17, 2007, we listed our ADSs on the Nasdaq Global Market under the symbol “CSUN.” On July 1, 2008, we completed an offering of \$54.5 million principal amount of 4.75% convertible senior notes due June 2013 to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933. Concurrently with the note offering, we also registered the offering of 4,431,000 ADSs (approximately 1,477,000 ADSs if retroactively adjusted to reflect the ADS to ordinary share ratio change), which we loaned to an affiliate of the initial purchaser of the notes, who in turn sold the borrowed ADSs in the offering. We did not receive any proceeds from the offering of the borrowed ADSs, but have received a nominal lending fee from the ADS borrower.

## FORWARD-LOOKING INFORMATION

This annual report on Form 20-F contains statements of a forward-looking nature. These statements relate to events involving known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from those expressed or implied by the forward-looking statements. These statements are made under the “safe harbor” provisions of Section 27A of the Securities Exchange Act of 1934, or Exchange Act. Whenever you read a statement that is not simply a statement of historical fact (such as when we describe what we “believe,” “expect” or “anticipate” will occur, and other similar statements), you must remember that our expectations may not materialize, even though we believe that they are reasonable.

Whether actual results will conform with our expectations and predictions is subject to a number of risks and uncertainties, many of which are beyond our control, and reflect future business decisions that are subject to change. Some of the assumptions, future results and levels of performance expressed or implied in the forward-looking statements we make inevitably will not materialize, and unanticipated events affecting our results may occur.

We caution you not to place undue reliance on forward-looking statements. You should read these statements in conjunction with the risk factors disclosed in Item 3 of this annual report, “Key Information—Risk Factors.” We do not undertake any obligation to update or revise the forward-looking statements except as required under applicable law.

### **I. PART I**

#### **ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS**

Not Applicable.

#### **ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE**

Not Applicable.

#### **ITEM 3. KEY INFORMATION**

##### **A. Selected Financial Data**

The following table presents our selected consolidated financial information. You should read the following information in conjunction with Item 5, “Operating and Financial Review and Prospects.” The selected consolidated statement of operations data for the three years ended December 31, 2009, 2010 and 2011 and the selected consolidated balance sheet data as of December 31, 2010 and 2011 have been derived from our audited consolidated financial statements included in this annual report and should be read in conjunction with those statements. Our selected consolidated statement of operations data for the years ended December 31, 2007 and 2008, and the selected consolidated balance sheet data as of December 31, 2007, 2008 and 2009, have been derived from our audited consolidated financial statements not included in this annual report. Our audited consolidated financial statements are prepared and presented in accordance with United States generally accepted accounting principles, or U.S. GAAP.

	For the Years Ended December 31,				
	2007	2008 <sup>(1)</sup>	2009 <sup>(1)</sup>	2010	2011
	(in thousands, except share, per share, operating data and percentages)				
Consolidated Statement of Operations Data					
Net revenues	\$ 234,908	\$ 350,920	\$ 284,865	\$ 517,219	\$ 566,292
Cost of revenues	(216,881)	(335,454)	(268,252)	(424,917)	(564,474)
Gross profit	18,027	15,466	16,613	92,302	1,818
Operating expenses:					
Selling and marketing expenses	(1,644)	(3,866)	(2,920)	(5,467)	(19,149)
General and administrative expenses	(13,664)	(16,779)	(24,517)	(17,518)	(41,182)
Research and development expenses	(2,555)	(1,871)	(4,382)	(3,346)	(6,718)
Goodwill impairment loss	—	—	—	—	(14,807)
Total operating expenses	(17,863)	(22,516)	(31,819)	(26,331)	(81,856)
Income (loss) from operations	164	(7,050)	(15,206)	65,971	(80,038)
Net income (loss)	<u>\$ (4,855)</u>	<u>\$ (23,324)</u>	<u>\$ (10,269)</u>	<u>\$ 51,734</u>	<u>\$ (94,293)</u>
Net income (loss) attributable to China Sunergy Co., Ltd.					
	(4,855)	(23,324)	(10,269)	51,734	(94,293)
Dividend on Series A redeemable convertible preferred shares	(155)	—	—	—	—
Dividend on Series B redeemable convertible preferred shares	(330)	—	—	—	—
Dividend on Series C redeemable convertible preferred shares	(233)	—	—	—	—
Net income (loss) attributable to China Sunergy Co., Ltd. ordinary shareholders	\$ (5,573)	\$ (23,324)	\$ (10,269)	\$ 51,734	\$ (94,293)
Net income (loss) per share					
-Basic	\$ (0.04)	\$ (0.10)	\$ (0.04)	\$ 0.22	\$ (0.39)
-Diluted	\$ (0.04)	\$ (0.10)	\$ (0.04)	\$ 0.21	\$ (0.39)
Shares used in computation					
-Basic	185,165,757	238,079,890	239,366,840	240,545,811	240,701,253
-Diluted	185,165,757	238,079,890	239,366,840	262,009,223	240,701,253
Other Consolidated Financial Data					
Gross margin	7.7%	4.4%	5.8%	17.8%	0.3%
Consolidated Operating Data					
Solar cells sold (in megawatts, or MW)	70.0	100.4	181.5	277.2	6.6
Average selling price of solar cells (in \$ per watt)	\$ 2.92	\$ 3.32	\$ 1.36	\$ 1.35	\$ 0.84
Solar modules sold (in MW)	1.6	2.6	8.3	67.2	411.5
Average selling price of solar modules (in \$ per watt)	\$ 3.63	\$ 4.13	\$ 1.87	\$ 1.92	\$ 1.36

(1) Reflects the adjustment for share-lending arrangement retrospectively. Please refer to Note 11 of our audited consolidated financial statements included in this annual report.

	As of December 31,				
	2007	2008	2009	2010	2011
	(in thousands, except share and per share data)				
Consolidated Balance Sheet Data					
Cash and cash equivalents	\$ 60,458	\$ 94,800	\$ 123,855	\$ 106,468	\$ 209,479
Restricted cash	23,473	62,400	55,678	84,988	84,435
Accounts receivable, net	26,817	8,906	15,292	65,581	152,286
Advances to suppliers, net	79,912	7,320	184	8,503	5,419
Amounts due from related parties	2,112	18,583	22,103	42,578	634
Inventories	56,092	59,125	22,645	72,335	43,977
Total Current Assets	265,708	264,657	246,684	407,597	561,349
Property, plant and equipment, net	52,929	102,609	93,790	111,629	164,535
Total assets	321,144	399,278	373,789	578,079	809,909
Short-term bank borrowings	\$ 121,841	\$ 97,299	\$ 102,516	\$ 139,530	286,888
Current portion of long-term borrowing	—	—	—	—	35,329
Accounts payable	7,157	29,099	27,411	51,646	47,720
Amounts due to related parties	8	246	2,369	2,463	57,610
Total current liabilities	136,243	146,622	139,063	246,376	498,575
Long-term bank borrowings	—	—	—	30,199	125,439
Convertible senior notes	—	48,098	44,000	44,000	27,500
Total equity	183,848	176,511	167,719	226,809	139,086
Total liabilities and equity	321,144	399,278	373,789	578,079	809,909

B. Capitalization and Indebtedness

Not Applicable.

C. Reasons for the Offer and Use of Proceeds

Not Applicable.

D. Risk Factors

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

***Volatile market and industry trends, in particular, changes in demand for solar power products and continued downward pressure on the prices of solar power products could reduce our revenues and profitability.***

We are affected by solar power market and industry trends. From the fourth quarter of 2008 to the first quarter of 2009, the global solar power industry experienced a precipitous decline in demand. During the same period, the global supply of solar power products exceeded global demand as a result of the global economic downturn. Such oversupply of solar power products contributed to the decline in the average selling price of our solar power products, including our solar cells and solar modules.

After significant price movements of 2009, relative stability returned to the industry during 2010 mainly due to global economic conditions. In 2011, the market demand and total shipment have increased but the average selling price of solar power products declined because of an over-supply of solar power products driven by increased manufacturing capacity. We expect solar power product prices to further decline in the near future due to decreased feed-in-tariffs in most European countries, increases in manufacturing capacity in our industry, decrease in polysilicon price, increased production efficiencies and reduced manufacturing costs as a result of improving technology. If the prices of our products decline, or we are unable to lower our costs in line with price declines, whether through increasing manufacturing efficiency, securing raw materials at lower costs or technological advances, our revenues and profitability would be materially and adversely affected.

***The availability and price of silicon raw materials may affect our gross margins and profitability.***

Polysilicon is an essential raw material in our production of solar power products. The procurement costs of silicon wafers and other silicon-based raw materials have accounted for a substantial majority of our cost of revenues since we began our commercial production of solar cells in August 2005.

From early 2007 to the fourth quarter of 2008, mainly due to growing demand for solar power products and limited supply of polysilicon, there was an industry-wide shortage of polysilicon, which resulted in increasing polysilicon price. From late 2008 to the second half of 2009, however, there was an industry-wide excess supply of polysilicon, primarily due to increased supply from both existing polysilicon manufacturers and new entrants and weakened demand from the end market. As a result, polysilicon spot prices fell significantly from late 2008 to the second half of 2009, before stabilizing in 2010. In 2011, polysilicon price remained stable and moderately declined in the first three quarters, but collapsed in the fourth quarter of 2011.

According to Solarbuzz LLC, or Solarbuzz, an independent solar energy research and consulting firm, the average initial price range of long-term polysilicon supply contracts declined to \$38 per kilogram in the fourth quarter of 2011 from \$55 per kilogram in the fourth quarter of 2010, and the spot price for solar grade polysilicon maintained a level of around \$65 per kilogram by the beginning of 2011 compared to the prices of \$69 per kilogram by the end of 2010, but decreased dramatically to approximately \$30 per kilogram by the end of 2011.

The price of polysilicon may not continue to decline or remain at its current level. Increases in the price of polysilicon have in the past resulted in increases in the price of wafers, and these increases in the price of silicon raw materials have in the past increased our production costs. Due to the volatile market prices, we cannot assure you that the price of polysilicon will remain at its current levels, especially when the global solar power market regains its growth momentum. Moreover, if the industry-wide shortage of polysilicon happens again, we may experience late or non-delivery from suppliers and purchase silicon raw materials of lower grade quality that may result in lower conversion efficiencies and reduce our average selling prices and revenues.



***We have only expanded into downstream solar power businesses for a very short period of time and plan to continue our integration strategy. Any failure to successfully implement this strategy could have a material adverse effect on our growth, business prospects and results of operations.***

On November 1, 2010, we completed the acquisition of SST and NRE, both of which were our related parties at the time of such transactions, from China Electric Equipment Group Co., Ltd., or CEEG, an entity controlled by Mr. Tingxiu Lu, and Sundex Holdings Limited, a company not affiliated with us, for total consideration of approximately RMB308.0 million (\$48.9 million). SST and NRE integrate the research and development, production, sales and servicing of solar modules, with total annual production capacities of 915 MW as of December 31, 2011. The acquisitions facilitated the implementation of our strategy to expand into downstream solar power businesses, including the solar module business. Our ability to successfully implement this strategy is subject to various risks and uncertainties, including:

- our short history in the solar module business
- our ability to compete effectively with other companies engaging in similar business;
- the level of demand for solar module products;
- our possible lack of competitiveness in product quality and cost structure for the solar module business
- the solar module business typically has longer cash conversion cycles with respect to our inventory and therefore results in our longer accounts receivable turnover time;
- our expanded warranty liabilities associated with the solar module business, with the warranty period for solar modules lasting for 10 to 25 years in various situations, which results in higher warranty costs compared to those relating to sale of solar cells;
- the need for additional capital to finance our new business operations, which may not be available on reasonable terms or at all;
- our ability to maintain and develop relationships with solar module customers, including existing customers of the companies we acquired;
- our ability to offer module products in countries presenting cultural, language, regulatory or other barriers;
- our ability to integrate the companies we acquired.
- our ability to hire and retain staff with relevant experience in solar module business; and
- new risks associated with the solar module business yet to be fully understood by the industry and market.

Solar module business contributed 98.6% of our net revenues in 2011, and is expected to continue to contribute most of our net revenues in the future. If we are unable to effectively manage these risks, we may not be able to successfully operate the new solar module business and achieve the expected value of business integration strategy. We may fail to recoup our investment, and our business, competitiveness and results of operations could be materially and adversely affected.

The acquisitions and our implementation of the strategy of expanding into downstream solar power businesses resulted in substantial changes to our business, including, among others, the change in our customer base, from primarily module manufacturers and system integrators purchasing solar cells to primarily system integrators, solar power project developers and solar power product distributor. We have limited experience engaging in the solar module businesses and may not be successful in establishing a strong reputation in the market. Moreover, this sector of the solar power industry is rapidly evolving and is becoming increasingly competitive. We cannot predict whether, or how quickly, this market will grow.

Moreover, the change of product mix may adversely affect our overall gross margin as a percentage of our revenues. As we just recently expanded into the solar module business, we may experience low gross margin for the sales of our solar module products in order to compete effectively in the market. We may not be able to improve the gross margin percentage of our solar module products to the same level as of our previous solar cell products. As we gradually increase sales of solar modules and if the average selling price of our solar power products continue to decline as a result of deteriorating market conditions, our overall gross margin could be adversely affected. For example, our gross margin decreased from 17.8% in 2010 to 0.3% in 2011 primarily due to the decrease in the average selling prices for our solar power products and the increase in non-silicon manufacturing costs as a result of the rapid expansion of our module business. All these could adversely affect our growth, business prospects and results of operations.

***Significant reductions in feed-in tariffs and other forms of government subsidies and economic incentives for solar power applications may cause demand for our products and our revenues to decline.***

We believe that the near-term growth of the solar power market depends in large part on the availability and size of government subsidies and economic incentives. The reduction or elimination of subsidies and economic incentives may adversely affect the growth of this market or result in increased price competition, either of which could cause our revenues to decline.

Today, when upfront system costs are factored into costs per kilowatt, the cost of solar power substantially exceeds the cost of power furnished by the electric utility grid in almost all locations. As a result, national and local governmental bodies in many countries have provided subsidies and economic incentives in the form of feed-in tariffs, rebates, tax credits and other incentives to distributors, system integrators and manufacturers of solar power products in order to promote the use of solar energy in on-grid applications and to reduce dependence on other forms of energy.

As the solar power industry continues to develop, policy shifts could reduce or eliminate these government economic incentives altogether. For example, according to Solarbuzz, the Italian market was also overhung by the uncertainty over funding conditions. Italian government announced annual reductions to feed-in tariffs in an effort to impede overheating of its solar market in 2010 and May 2011. France's government became aware of the extent of potential solar power market growth and therefore implemented a number of measures to slow market activity and introduced a new restrictive funding scheme in March 2011. In addition, at the beginning of 2011, the German government reacted to the projections that the market size would once again exceed expectations and decided to accelerate the incentive tariff decline. The German government scheduled a tariff reduction in January 2011, retained an annual basic reduction of 9% at year-end and further reduced its feed-in-tariffs by over 30% for ground mounted systems and by approximately 20% for rooftop installations from April 1, 2012. In addition, in certain countries, including countries to which we export solar power products, government financial support of solar power products has been, and may continue to be, challenged as being unconstitutional or otherwise unlawful. A significant reduction in the scope or discontinuation of government incentive programs, especially in our target markets, would have a material adverse effect on the demand for our solar power products as well as our results of operations.

We export a large amount of our products to Italy, France and Germany, and, other than European market, we also expect to sell more products to the US, China, India, Australia and emerging markets as we expand into the downstream solar power business.

***We have a limited operating history and we have incurred losses in certain prior periods and may incur losses in the future.***

We incurred net loss of \$10.3 million in 2009 and had net income of \$51.7 million in 2010. In 2011, we incurred net loss of \$94.3 million. We cannot assure you that we will not incur net losses in the future or that there will not be any earnings or our revenue will not decline in any future periods. Our ability to maintain profitability depends on, among others, the growth rate of the solar power market, the continued global market acceptance of solar power products in general and our existing and future products in particular, our ability to secure quality raw materials, primarily silicon wafers, the pricing trend of solar power products, the competitiveness of our technology and products as well as our ability to provide new products to meet the demands of our customers, our ability to achieve our manufacturing expansion plans and our ability to control our costs and expenses. We may not be able to achieve or sustain profitability on a quarterly or annual basis.

Furthermore, our limited operating history, especially in the solar module business which we have not expanded into until the fourth quarter of 2010 may not provide a meaningful basis for evaluating our business, financial performance and prospects. Accordingly, even though we achieved growth or profitability during certain prior periods, you should not rely on our results of operations for any prior periods as an indication of our future performance. You should consider our business and prospects in light of the risks, expenses and challenges that we have as a company with a limited operating history seeking to develop and manufacture new products in a rapidly evolving market.

***Our dependence on a limited number of third-party suppliers for key raw materials and solar cells and customized manufacturing equipment could prevent us from timely delivering our products to our customers in the required quantities, which could result in order cancellations and decreased revenue.***

We purchase silicon wafers, which are our key raw materials, and some of the solar cells used in our module manufacturing business from a limited number of third-party suppliers. Most of our supply contracts have terms of less than one year. If we fail to develop or maintain our relationships with major suppliers of silicon wafers or solar cells, we may be unable to manufacture our products or manufacture our products at a higher cost or deliver our products after a long delay. We could also be prevented from delivering our products to our customers in the required quantities and at prices that are profitable. Problems of this kind could cause order cancellations and loss of market share. Historically, we encountered problems with respect to the quality of silicon raw material supplied by some of our suppliers, which resulted in lower conversion efficiencies of our solar cells. In the past, some of our suppliers have failed to perform their delivery obligations because of volatile market prices. In addition, many of our contracts for silicon raw material supply do not provide for a remedy for non-delivery other than a refund of any advance payment that we may have made, and our legal recourse in cases of non-delivery may be limited.

The failure of any major supplier to supply silicon wafers or solar cells that meet our quality, quantity and cost requirements in a timely manner could impair our ability to manufacture our products and could increase our costs, particularly if we are unable to obtain these materials and components from alternative sources on a timely basis or on commercially reasonable terms. The pricing terms under our raw material supply framework agreements generally are to be determined based on future negotiations. If we cannot agree on pricing terms with those suppliers in the future, those agreements will not be enforceable and we would then need to seek alternative supplies. In such an event, we may not be able to secure sufficient alternative supplies.

In addition, certain of our cell manufacturing equipment has been designed and made specifically for us. As a result, such equipment is not readily available from multiple vendors and would be difficult to repair or replace. Any significant damage to, or breakdown of, our customized manufacturing equipment could cause material interruptions to our operations and consequentially could have a material adverse effect on our business and results of operations.

***Difficult global economic conditions and credit environment may adversely affect the demand for our products.***

The demand for solar power products is influenced by macroeconomic factors, such as global economic conditions, the supply and price of other energy products, as well as government regulations and policies concerning the electric utility industry. The global financial markets experienced a downturn in 2008, and since most of the world's major economies have experienced a period of slow economic growth. The global economic downturn resulted in weakened market demand for products that require significant initial capital expenditures, including solar power products. The global economic downturn in several key solar power markets resulted in fewer investments in new installation projects that make use of solar power products. Existing projects may also be delayed as a result of the tightened credit for project financing and other disruptions. The unfavorable credit environment, which affects the ability of investors to obtain financing for their projects, also contributed to the slowdown of the solar project market. Furthermore, a decrease in the price of other energy products, such as oil, coal and natural gas, could reduce demand for alternative forms of energy, such as solar energy and may reduce the urgency of the market to invest in alternative energy. These macroeconomic factors resulted in reduced demand for our solar power products, and adversely affected our operating results. In 2009, 2010 and 2011, partly due to the impact of global financial market disruption and economic slowdown, some of our customers cancelled or delayed orders for our products.

Overall global economic conditions and the credit environment have improved significantly from the second half of 2009. However, a variety of factors, including the current European sovereign debt crisis and concerns about the viability of the European Union and the Euro, could cause further disruptions to the global economy. If these macroeconomic factors deteriorate again, the demand for our products will be materially and adversely affected.

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

In response to the industry-wide shortage of silicon raw materials prior to the third quarter of 2008, we purchased silicon raw materials using short-term and long-term contracts from a limited number of international and domestic suppliers. Currently we use both short-term and long-term contracts to secure our silicon raw materials supply, and the long-term contracts accounted for approximately 21.1% of all the silicon raw materials that we purchased in 2011. Some agreements provide for firm purchase commitments and fixed pricing or pricing adjustable within a relatively small range or on a monthly basis. From the fourth quarter of 2008 to mid-2009, the price of silicon raw materials decreased precipitously because of the excess supply of silicon raw materials resulting from slower global solar power market growth. In light of such excess supply, we have sought to re-negotiate with our long-term supply partner in regard to a long-term supply contract signed in 2008. See “— We have been a party in several legal proceedings, which, if determined adversely, could negatively affect our business and results of operations.” If we fail to re-negotiate or terminate any similar contracts in the future, we may be subject to contractual damages. If the prices under our amended supply contracts continue to be higher than the market prices after such re-negotiation, we may be placed at a competitive disadvantage versus our competitors which purchase their silicon raw materials from the spot market or under renegotiated supply contracts with more favorable prices, and our profitability could decline. In addition, if demand for our solar power products decreases and such agreements require us to purchase more raw materials than are required to meet our demand, we may incur costs associated with carrying excess inventory, which may have a material adverse effect on our cash flows. To the extent we are not able to pass these increased costs and expenses on to our customers, our business, financial condition and results of operations may be materially and adversely affected.

***We have significant outstanding bank borrowings, and we may not be able to arrange adequate financing when they mature or may encounter other difficulties in maintaining liquidity.***

As of December 31, 2011, we had \$209.5 million in cash and cash equivalents, and we had \$447.7 million in outstanding borrowings, of which approximately \$322.2 million was due within one year. The amount of our borrowings could constrain our operational flexibility, including requiring a substantial portion of our cash flows to be set aside to service our debt obligations, increasing our exposure to interest rate fluctuations and limiting our ability to obtain additional financing. Furthermore, since early 2011, the People’s Bank of China has raised the reserve requirement ratio several times to curb inflation and regulate the real property market, which caused a decrease in overall market liquidity. Any future turmoil in the global or PRC credit markets and the subsequent impact on the liquidity of financial institutions may further adversely affect our ability to fund our business through borrowings, under either existing or newly created instruments in the public or private markets on terms that we believe to be reasonable, if at all. We cannot assure you that we will be able to obtain extensions of our facilities as they mature. If we are unable to obtain extensions of these facilities, or if we are unable to obtain sufficient alternative funding on reasonable terms to make repayments, we will have to repay these borrowings with cash generated by our operating activities. We cannot assure you that our business will generate sufficient cash flows from operations to repay these borrowings. In addition, repaying these borrowings with cash generated by our operating activities will divert our financial resources from the requirements of our ongoing operations and future growth.

Historically, given the state of the industry, we generally need to make prepayments at a certain percentage of the order value to our suppliers of silicon raw materials in advance of shipment. Due to the relative oversupply of polysilicon, the required prepayments as a percentage of the entire contract have been reducing. In 2011, most of our suppliers granted us credit terms under their contracts with us. However, our purchases of raw materials may continue to require us to make certain working capital commitments. We may also need additional capital for the expansion and modification of our manufacturing lines in the future. As a result, we may require additional debt or equity financing. Furthermore, we have granted credit terms for our sales to some of our large customers. Some of our customers may fail to meet their payment obligations, which would materially and adversely affect our financial position, liquidity and results of operations.

In 2012, we believe a majority of our revenues will be derived from credit sales, generally with payment schedules according to negotiated contracts. As a result of the disruptions in the financial markets and other macro-economic challenges which had affected the world economy, our customers may experience cash flow concerns. As a result, they may delay their payment to us. Any inability of current or potential customers to pay us may adversely affect our earnings and cash flow.

In addition, we may also need a significant amount of cash to meet future capital requirements in connection with our overall expansion plan, including the expansion of our solar power product manufacturing facilities, as well as research and development activities in order to remain competitive. Future acquisitions, expansions, market changes or other developments may also require additional funds. If we fail to effectively manage our cash flows from operations and borrowings to support our cash flow requirements, we may encounter difficulty in maintaining our liquidity, which would have a material adverse effect on our business, financial condition and future prospects.

***Our advance payments to most of our raw material suppliers expose us to the credit risk of these suppliers, and if these suppliers default in delivery or refunding the payment, our financial condition, results of operations and liquidity may be adversely affected.***

Under the supply contracts we entered into with some of our silicon raw material suppliers, we made advance payments and long-term prepayments in order to maintain our relationship and preferential price with qualified suppliers. As of December 31, 2011, our advances to suppliers were \$5.4 million and our long-term prepayment to a third party supplier under a long-term supply agreement was \$4.9 million.

In addition, we depend on a limited number of suppliers and we may continue to be required to make such advance payments without receiving collateral in the future. As a result, our claims for such advance payments would rank only as unsecured claims, exposing us to the credit risks of the suppliers in the event of their insolvency or bankruptcy. We may not be able to recover such advance payments and would suffer losses should the suppliers fail to fulfill their delivery obligations under the contracts.

***Our dependence on a limited number of customers may cause significant fluctuations or declines in our revenues.***

We currently expect that our results of operations will, for the foreseeable future, continue to depend on the sale of our solar modules to a relatively small number of customers until we become successful in significantly expanding our customer base or diversifying product offerings. Although no single customer represents 10% or more of our net revenue, for the year ended December 31, 2011, approximately 23.1% of our net revenues were derived from sales of solar power products to our top five customers. We have competitors who may have stronger relationships or may enter into exclusive relationships with some of the key distributors or system integrators to whom we sell our products. As a result, they may be able to respond more quickly to changing customer demands or to devote greater resources to the development, promotion and sales of their products than we can. We cannot assure you that we will continue to generate significant revenues from these customers or that we will be able to maintain these customer relationships. The loss of one or more of our significant customers and reduced or cancelled orders from one or more of our significant customers may cause material fluctuations or declines in our revenues.

We anticipate that our dependence on a limited number of customers will continue in the foreseeable future. Consequently, any one of the following events may cause material fluctuations or declines in our revenues:

- reduction, delay or cancellation of orders from one or more of our significant customers;
- loss of one or more of our significant customers and our failure to identify additional or replacement customers; and
- failure of any of our significant customers to make timely payment for our products.

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

We historically required our customers to make an advance payment of a certain percentage of their orders, a business practice that helped us to manage our accounts receivable, prepay our suppliers and reduce the amount of funds that we needed to finance our working capital requirements. In line with market trends, this practice has declined, and has resulted in our increased need to obtain additional short-term borrowings to fund our current cash requirements.

Furthermore, a larger portion of our revenues have been and may continue to be, derived from credits sales to our customers. As of December 31, 2010 and 2011, outstanding accounts receivables balance from customers representing 10% or more of total gross accounts receivables accounted for approximately 34% and 23%, respectively of our total outstanding accounts receivable. The failure of any of these or other customers to meet their payment obligations would materially and adversely affect our financial position, liquidity and results of operations.



Our accounts receivable increased significantly from \$65.6 million as of December 31, 2010 to \$152.3 million as of December 31, 2011. The increase in our accounts receivable was primarily due to the significant increase in the sales of solar modules, which generally requires provision of credit terms. In addition, given the general economy, particularly the tightening of credit markets, we have extended credit to many customers or provided them with improved credit terms, including increasing credit limits and extending the time period before payments are due, ultimately increasing our accounts receivable and exposure to credit risks of our customers. The increase of our receivables and the failure of any of our new or existing customers to meet their payment obligations under the credit terms granted would deteriorate our working capital and materially and adversely affect our business, financial position, liquidity and results of operations.

Our balance of provision for doubtful accounts decreased from \$7.4 million in 2009 to \$3.2 million in 2010, but increased to \$15.9 million in 2011 primarily as the result of certain customers' prolonged failure to settle accounts receivables and the continuing deterioration of their financial condition and creditworthiness. In addition, we are exposed to the credit risk of new customers with whom we have not had extensive business dealings historically. The failure of any of these customers to meet their payment obligations would materially and adversely affect our financial position, liquidity and results of operations. Although we have been able to maintain adequate working capital primarily through short-term borrowing and long-term bank borrowings, any failure by our customers to settle outstanding accounts receivable in the future could materially and adversely affect our business, cash flow, financial condition and results of operations.

***If we are unable to maintain a high utilization rate of our manufacturing capacity, our operating margins may decline substantially.***

Our ability to achieve profitability depends in part on our ability to maintain a high utilization rate of our manufacturing capacity. With the slowed growth of the solar power market, it is more difficult for us to obtain enough orders for the solar power products that we are capable of producing. If we are unable to obtain sufficient orders for our products, procure sufficient raw materials, or if we experience any material equipment failure, then we will not be able to maintain a high utilization rate of our manufacturing capacity. As we incur fixed costs associated with our facilities and equipment whether they are being utilized, operating at less than full utilization results in expenses without corresponding revenue, which may reduce our operating margins.

***Because the markets in which we compete are highly competitive and many of our competitors have greater resources than we do, we may not be able to compete successfully and we may lose or be unable to gain market share.***

The market for solar power products is highly competitive and continually evolving. We expect to face increased competition, which may result in price reductions, reduced margins or loss of market share. Our competitors include crystalline based solar cell and module manufacturers such as Sunpower Corp, Suntech Power Holdings Co., Ltd., Trina Solar Ltd., Yingli Green Energy Holding Co., Ltd., Canadian Solar Inc., Hanwha SolarOne Ltd., Jinko Solar Holding Co., Ltd., and Sharp Corporation. Some of our competitors, for example Yingli Green Energy Holding Co., Ltd., have also become vertically integrated, from polysilicon, wafer and module manufacturing to solar system integration. During periods of raw material supply shortage, their internally produced raw materials may enable them to realize a higher margin in comparison with other solar power product manufacturers.

Decreases in polysilicon prices and increases in solar power product manufacturing capacity could result in substantial downward pressure on the price of solar power products and intensify competition we face. We may also face new competition from semiconductor manufacturers, several of which have already announced their intention to start production of solar power products. In addition, the entire solar power industry faces competition from conventional and non-solar renewable energy technologies. Due to relatively high manufacturing costs compared to most other energy sources, solar energy is generally not competitive without government subsidies and economic incentives.

Many of our existing and potential competitors have substantially greater financial, technical, manufacturing and other resources than we do. Their greater size in some cases provides them with a competitive advantage with respect to manufacturing costs due to their economies of scale and their ability to purchase raw materials at lower prices. Many of our competitors also have more established distribution networks and larger customer bases. In addition, they have well-established relationships with our customers and have extensive knowledge of our target markets. As a result, they may be able to devote greater resources to the research, development, promotion and sale of their products or respond more quickly to evolving industry standards and changes in market conditions than we can. It is possible that new competitors or alliances among existing competitors will emerge and rapidly acquire significant market share, which would harm our business. If we fail to compete successfully, our business would suffer and we may lose or be unable to gain market share.

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

The solar power market is at a relatively early stage of development, and the extent of acceptance of solar power products is uncertain. Historical and current market data on the solar power industry are not as readily available as those for other more established industries where trends can be assessed more reliably from data gathered over a longer period of time. In addition, demand for solar power products may not develop or may develop to a lesser extent than we anticipate. Many factors may affect the viability of widespread adoption of solar power technology and demand for solar power products, including:

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

If solar power technology is not viable for widespread adoption or sufficient demand for solar power products does not develop or develops to a lesser extent than we anticipate, our revenues may suffer and we may be unable to sustain our profitability.

***Advances in solar power technology could render our products uncompetitive or obsolete, which could reduce our market share and cause our sales and profits to decline.***

The solar power market is characterized by evolving technological standards that require improved features, such as higher conversion efficiencies and higher power output. This requires us to develop new solar power products and enhancements for existing solar power products to keep pace with evolving industry standards and changing customer requirements. For example, currently we are focused on crystalline silicon technology and the expansion of production capacity based on crystalline silicon, which today is the primary technology used by most solar cell and module manufacturers. Some overseas producers have developed alternative forms of solar power technologies, such as thin-film technologies. Failure to further refine our technology and to develop and introduce new solar power products could cause our products to become uncompetitive or obsolete, which could reduce our market share and cause our revenues to decline. We will need to invest significant financial resources in research and development to maintain our market position, keep pace with technological advances in the solar power industry and effectively compete in the future.

If our future innovations fail to enable us to maintain or improve our competitive position, we may lose market share. If we are unable to successfully design, develop and bring to market competitive new solar power products or enhance our existing solar power products, we may not be able to compete successfully. Competing solar power technologies may have lower manufacturing costs or higher product performance than those expected from our solar power products. In addition, if we, or our customers, are unable to manage product transitions, our business and results of operations would be negatively affected.

***We may not be successful in the commercial production of new products, which could limit our growth prospects.***

We have invested significantly in research and development of solar power products technology in order to achieve high conversion efficiency required for our advanced solar cells and modules. We are currently upgrading technology for manufacturing QSAR™ solar power products and PSAR™ solar power products, and in the process of obtaining major product certifications for the bi-facial solar power products. The conversion efficiency of the new types of solar cells may be generally higher than that of mainstream P-type solar cells. Our QSAR™ solar cells have been commercially shipped by June 2011 and we obtained the TUV certificates for QSAR™ solar modules in November 2011. However, we cannot assure you that we will be able to commercially manufacture our advanced solar cells and modules on a large scale in a cost effective way.

We may face significant challenges in manufacturing our new solar power products. Minor deviations in the manufacturing process can cause decreases in yield and cell conversion efficiencies. We may face difficulty in securing wafer supply for the manufacture of the new types of solar power products. If we are unable to commence manufacturing the new types of solar power products on a timely basis, or if we face technological difficulties in cost-efficiently producing the new types of solar power products with the expected performance on a stable level, or if we are unable to secure sufficient raw material supplies or generate sufficient customer demand for our new types of solar power products, our business and prospects may be adversely impacted.

We may also have difficulty in converting existing manufacturing lines or installing new manufacturing lines for the production of new products. These difficulties could arise from a number of reasons, including difficulties or delays in obtaining or installing equipment, adapting our production to new processes or training our personnel. We may also have difficulties in achieving the higher conversion efficiencies that we expect to achieve with these new products. Any of these difficulties may adversely affect our business, results of operations and financial condition.

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

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

- the need to raise significant additional funds, which we may be unable to obtain on commercially viable terms or at all, to purchase raw materials and to build additional manufacturing facilities;
- delays and cost overruns as a result of a number of factors, many of which are beyond our control, such as increases in the price of silicon raw materials and problems with equipment vendors;
- delays or denial of required approvals by relevant government authorities;
- diversion of significant management attention;
- the ability to secure sufficient silicon raw materials, primarily silicon wafers, to support our expanded manufacturing capacity; and
- the recovery of global economy and demand for solar power products in overseas markets as influenced by the global economic downturn and its effects.

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

***We may experience difficulty in achieving acceptable yields and product performance as a result of manufacturing problems, which could negatively impact our future revenue.***

The technology for the manufacture of solar power products is highly complex and is continually being modified in an effort to improve yields and product performance. The quality of the raw materials used, microscopic impurities such as dust and other contaminants, difficulties in the manufacturing process, or malfunctions of the equipment or facilities used can lower yields, cause quality control problems, interrupt production or result in losses of products in process.

Because our existing manufacturing capabilities are, and our future manufacturing capabilities will likely remain, concentrated in our manufacturing facilities in Nanjing and Shanghai, China, any problem in our facilities may limit our ability to manufacture products. We may encounter problems in our manufacturing facilities as a result of, among other things, production failures, construction delays, human errors, equipment malfunction or process contamination, which could seriously harm our operations. We may also experience floods, droughts, power losses and similar events beyond our control that would affect our facilities. For example, the unusually heavy snowstorms in the first quarter of 2008 disrupted our power supply and forced us to suspend our manufacturing operations for three weeks. In addition, a power loss to our Nanjing facility in February 2011 disrupted our entire manufacturing operation for three days, and continuously influenced part of our manufacturing operation for another three days, resulting in a total loss of production capacity of approximately 3.5 MW. Any disruption in our manufacturing process that forces us to shut down and restart our production causes a drop-off in production quality during the first two or three weeks after we resume production, which in turn reduces our yield as more of our output falls below our quality control standards during that period.

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

Our future success depends substantially on the continued services of Mr. Tingxiu Lu, our chairman, our executive officers and key employees, especially Dr. Jianhua Zhao, our chief technology officer, Mr. Stephen Zhifang Cai, our director and chief executive officer, and Dr. Aihua Wang, our vice president. In the past, certain of our executive officers and key employees resigned from their positions. For example, Mr. Ruennsheng Allen Wang resigned from the position as our director and chief executive officer in March 2010. Mr. Siegfried Yi Chou Hsu resigned from the position as our chief financial officer in October 2010. We subsequently appointed Mr. Stephen Zhifang Cai as our chief executive officer and director in March and April 2010, respectively, and appointed Mr. Yongfei Chen as our acting chief financial officer in November 2010 and as our chief financial officer in January 2012. Although we have successfully found replacements for these vacated positions in the past, we cannot assure you that we will continue to be able to find eligible candidates in the future if one or more of our executive officers or key employees are unable or unwilling to continue in their present positions.

Although we believe that these changes of our management team did not materially affect our business operations in the past, if we lose the services of our executive officers or key employees due to their resignation, non-compliance with applicable law or any other reason in the future, especially if we cannot timely find replacements, our business may be severely disrupted, our financial conditions and results of operations may be materially and adversely affected and we may incur additional expenses to recruit, train and retain personnel. If any of our executive officers or key employees joins a competitor or forms a competing company, we may lose customers, suppliers, know-how and key professionals and staff members. Each of our executive officers and key employees has entered into an employment agreement with us which contains non-competition provisions. However, if any dispute arises between our executive officers or our key employees and us, these agreements may not be enforceable in China, where these executive officers or our key employees reside, in light of the uncertainties with China's legal system. See "—Risks Related to Doing Business in China—Uncertainties with respect to the Chinese legal system could have a material adverse effect on us."

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

We have experienced a period of rapid growth and expansion that has placed, and continues to place, significant strain on our management personnel, systems and resources. To accommodate our growth, we anticipate that we will need to implement a variety of new and upgraded operational and financial systems, procedures and controls, including improvements to our accounting and other internal management systems, all of which require substantial management efforts. We also will need to continue to expand, train, manage and motivate our workforce, manage our customer relationships and manage our relationships with raw material suppliers. All of these endeavors will require substantial management effort and skill and the incurrence of additional expenditures. If we fail to manage our growth effectively, that failure may have a material adverse effect on our business.

***Future acquisitions may have an adverse effect on our ability to manage our business.***

If we are presented with appropriate opportunities, we may acquire technologies, businesses or assets that are complementary to our business. For example, in November 2010, we completed the acquisition of SST and NRE. These and any future acquisitions may expose us to potential risks, including risks associated with the assimilation of new personnel, unforeseen or hidden liabilities, the diversion of management attention and resources from our existing business and the inability to generate sufficient revenues to offset the costs and expenses of acquisitions. Any difficulties encountered in the acquisition and integration process may have an adverse effect on our ability to manage our business.

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

Historically, we made a majority of our sales to customers located in China. In 2011, we derived 93.3% of our net revenues from sales of our products to customers outside China. We intend to continue to expand our sales in Europe as well as in other overseas markets such as United States, India, Australia and other countries and regions. We anticipate that the majority of our solar module products will be sold to customers outside China in 2012. The marketing, distribution and sale of our solar power products in the international markets expose us to a number of risks, including:

- fluctuations in currency exchange rates;
  - increased costs associated with maintaining marketing efforts in various countries;
  - difficulty and costs relating to compliance with the different commercial and legal requirements of the overseas markets in which we offer or plan to offer our products;
  - difficulty in engaging and retaining sales personnel who are knowledgeable about, and can function effectively in, overseas markets;
- failure to develop appropriate risk management and internal control structures tailored to overseas operations;
- failure to obtain or maintain certifications or intellectual property protection for our products or services in these markets;
- trade barriers such as export requirements, tariffs, taxes and other restrictions and expenses, which could increase the prices of our products and make us less competitive in some countries; and
  - demand for solar power products in overseas markets as influenced by worldwide credit crisis and its effects.

Our business in foreign markets requires us to respond timely and effectively to rapid changes in market conditions in the relevant countries. Our overall success as a global business depends, in part, on our ability to succeed in different legal, regulatory, economic, social and political conditions. We may not be able to develop and implement policies and strategies that will be effective in each location where we do business. A change in one or more of the factors described above may have a material adverse effect on our business, prospects, financial condition and results of operations.

***Measures such as initiation of anti-dumping and anti-subsidy proceedings and imposition of anti-dumping and/or countervailing duties by governments in our overseas markets could materially and adversely affect our export sales.***

Anti-dumping and anti-subsidy proceedings have been initiated in the United States in relation to imports of Chinese solar power products. These proceedings may result in the imposition of anti-dumping or countervailing duties, or a combination of the foregoing. These and other similar measures could trigger trade disputes in the international solar power product markets. While the majority of our overseas customers are from Europe and other Asia countries, we cannot guarantee that our plans to expand overseas will not increase the risk of protectionist investigations or proceedings against us.



In October 2011, SolarWorld Industries America Inc. filed a petition with the U.S. International Trade Commission (“ITC”) and U.S. Department of Commerce (“DOC”), claiming that Chinese photovoltaic manufacturers are unfairly dumping products at below cost to capture U.S. market share and that Chinese producers are benefitting from massive government subsidies. We were not included as one of the mandatory respondent companies to the United States government’s countervailing investigations. On March 20, 2012, a preliminary determination was issued with an average countervailing duty rate of 3.61% applicable to China Sunergy solar cells produced in China that are imported, including as part of modules or panels, into the United States. The DOC also preliminarily determined that the countervailing and anti-dumping duty investigations apply only to solar cells made in China, as well as panels and modules, regardless of where manufactured, incorporating such cells. The investigations would not apply to panels or modules made in China of which solar cells are manufactured in a third country. We were not selected as a mandatory respondent to the anti-dumping investigation and participated in this case as a separate rate respondent. The DOC preliminary anti-dumping determination is due in May of 2012. The DOC determinations trigger deposit requirements at the preliminary rates on imports into the United States. Substantial import deposit requirements resulting from the preliminary or final determinations would impose a retroactive requirement to make deposits, which could be substantial, as to our affiliated U.S. import operations and increase our cost of selling into the United States and thus could adversely impact our export sales to the United States. Although our revenues from sales in the United States, as a percentage of our total net revenues, decreased from 1.3% in 2010 to 0.7% in 2011, there is no assurance that this trend will continue and we may increase our sales in the United States market in the future.

The final determinations by the ITC and DOC should both be issued before the end of this year. In the event of affirmative final determinations by both U.S. authorities and the imposition of anti-dumping and countervailing duty orders, final additional import duties will not be assessed on importers until at least a year or more following the final determinations. Final assessment occurs when either no review is requested or a review is completed. Duties are applied retroactively on imports entered into the United States from the time of the preliminary determinations, and these orders can remain in place for many years. If the U.S. agencies determine that we have violated anti-dumping and countervailing duty laws and they impose additional duties on imports of our products into the United States, it could result in the imposition of substantial final duties owed retroactively as to prior U.S. imports and materially and adversely affect our current and future sales in the United States.

We cannot assure you that there will not be similar actions taken in the future in other countries against Chinese-made solar power products. We export a substantial amount of our products to Europe. There have been suggestions that the European Union may seek to initiate anti-dumping investigations regarding imports of solar power products from China. If the European Union initiates anti-dumping investigation against Chinese exporters or imposes anti-dumping measures, including increasing tariffs on solar power product imported from China, our export to Europe could be materially and adversely affected.

Though our policy is that all of our export sales comply with international trade practices, we cannot guarantee that the government agencies in the jurisdictions in which actions are brought will reach the same conclusion. Violations of anti-dumping and countervailing duty laws can result in additional duties imposed on imports of our products into these countries, which increase our costs of accessing potential markets. If duties are imposed on our PRC-manufactured products, we may adjust our business strategy for selling into these jurisdictions, including moving part of our manufacturing operations overseas. Any change in our business strategy would create a number of operational and legal uncertainties. Any of the above scenarios may materially and adversely impact our sales, thereby limiting our opportunities for growth.

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

Our future success depends, to a significant extent, on our ability to attract, train and retain qualified personnel, particularly technical personnel with expertise in the solar power industry. Since our industry is characterized by high demand and intense competition for talent, there can be no assurance that we will be able to attract or retain the qualified technical staff or other highly- skilled employees that we will need to achieve our strategic objectives. As we are still a relatively young company and our business has grown rapidly, our ability to train and integrate new employees into our operations may not meet the growing demands of our business. If we are unable to attract and retain qualified personnel, our business may be materially and adversely affected.

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

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

***Failure to protect our intellectual property rights may undermine our competitive position, and litigation to protect our intellectual property rights may be costly.***

We rely primarily on trade secrets, patent laws and other contractual restrictions to protect our intellectual property. Nevertheless, these afford only limited protection, and the actions we take to protect our intellectual property rights may not be adequate to provide us with meaningful protection or commercial advantage. For example, December 31, 2011, we have 41 patents and 47 pending patent applications in China, including patents and patent applications held by our newly acquired module manufacturers. We cannot assure you that in a legal proceeding the claims of our patents would be found valid or that the claims would be interpreted as having sufficient scope to protect the technology we consider important to our business, nor can we assure you that our patent applications will eventually issue with claims of sufficient scope to protect additional technology significant to our business. As a result, we may be unable to exclude third parties from using the technologies that we have developed and compete with us, which could have a material adverse effect on our business, financial condition or operating results.

In addition, litigation may be necessary to enforce our intellectual property rights. We cannot assure you that the outcome of such potential litigation will be in our favor. Such litigation may be costly and may divert management attention as well as divert other resources away from our business. In addition, we have limited insurance coverage against litigation costs and would have to bear all costs arising from such litigation to the extent we are unable to recover them from other parties. The occurrence of any of the foregoing could have a material adverse effect on our business, results of operations and financial condition.

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

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

We anticipate that our products and their installation will be subject to oversight and regulation in accordance with national and local regulations relating to building codes, safety, environmental protection, utility interconnection and metering and related matters. It is difficult to track the requirements of individual jurisdictions and to design products that comply with the varying standards. Any new government regulations or utility policies pertaining to our solar power products may result in significant additional expenses to us or cause a significant reduction in demand for our solar power products.

Heightened environmental concerns and increased awareness of climate change risks associated with fossil fuel-based power generation have generated political momentum in many governments, which subsequently implemented strategies aimed at the reduction of emissions of carbon dioxide and certain other gases commonly referred to as “greenhouse gases.” Renewable energy sources such as solar power help address these environmental concerns, and governments around the world have implemented a variety of policy initiatives to accelerate the development and adoption of solar power. While passage of climate change legislation or other regulatory initiatives that regulate or restrict emissions of greenhouse gases may encourage use of solar power and accordingly increase demand for our products and services, this could cause us to incur additional direct costs in complying with any new environmental regulations during our manufacturing and research and development processes, as well as increased indirect costs resulting from our customers, suppliers or both incurring additional compliance costs which are subsequently passed on to us.

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

The value of the Renminbi against the U.S. dollar, Euro and other currencies is affected by, among other things, changes in China's political and economic conditions and China's foreign exchange policies. On July 21, 2005, the PRC government changed its decade-old policy of pegging the value of the Renminbi to the U.S. dollar. Under the new policy, the Renminbi was permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. This change in policy caused the Renminbi to appreciate approximately 21.5% against the U.S. dollar over the following three years. However, from July 2008 until June 2010, the Renminbi traded stably within a narrow range against the U.S. dollar. In June 2010, the People's Bank of China announced that the PRC government would reform the Renminbi exchange rate regime and increase the flexibility of the exchange rate. Between June 30, 2010 and December 30, 2011, the value of the Renminbi appreciated approximately 7.2% against the U.S. dollar and we cannot predict how this new policy will impact the Renminbi exchange rate going forward.

A major portion of our sales are denominated in Euros and U.S. dollars, with the remainder in Renminbi, while a substantial portion of our costs and expenses is denominated in Renminbi and U.S. dollars, with the remainder in Euros. Fluctuations in exchange rates, particularly among the U.S. dollars, Renminbi and Euros, may affect our net profit margins and could result in fluctuations in foreign currency exchange and operating gains and losses. We incurred a net foreign exchange loss of approximately \$10.6 million in 2011. We cannot predict the impact of future exchange rate fluctuations on our results of operations and may incur net foreign currency losses in the future. In addition, as we rely entirely on dividends paid to us by our operating subsidiaries in China, any significant revaluation of the Renminbi may have a material adverse effect on our revenues and financial condition, and the value of, and any dividends payable on, our ordinary shares and ADSs. For example, to the extent that we need to convert U.S. dollars into Renminbi for our operations, appreciation of the Renminbi against the U.S. dollar would have an adverse effect on the Renminbi amount we receive from the conversion. Conversely, if we decide to convert our Renminbi into U.S. dollars for the purpose of making payments for dividends on our common shares or for other business purposes, appreciation of the U.S. dollar against the Renminbi would have a negative effect on the U.S. dollar amount available to us. Furthermore, due to the fact that we are paid in Euros for a proportion of our sales, fluctuations in the exchange rate between the Euro and the RMB may also have a material effect on our results of operations.

Starting from 2008, we have entered into a series of foreign currency forward contracts with several commercial banks to hedge our exposure to foreign currency exchange risk. As of December 31, 2011, we had foreign currency forward contracts with a total contract value of approximately EUR2.0 million. We do not use foreign currency forward contracts to hedge all of our foreign currency denominated commitments. As with all hedging instruments, there are risks associated with the use of foreign currency forward contracts. As of December 31, 2011, we incurred a loss of \$5.2 million in fair value of derivatives related to forward foreign currency exchange contracts, which was included in the line item "Change in fair value of derivative" in the consolidated statements of operations. While the use of such foreign currency forward contracts provides us with protection from certain fluctuations in foreign currency exchange, we potentially forgo the benefits that might result from favorable fluctuations in foreign currency exchange. Any default by the counterparties to these transactions could adversely affect our financial condition and results of operations. Furthermore, these financial hedging transactions may not provide adequate protection against future foreign currency exchange rate fluctuations and, consequently, such fluctuations could adversely affect our financial condition and results of operations.

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

In the past, we had begun constructing or operating facilities without having obtained all the necessary approvals on the construction or completion acceptance of our certain facilities from relevant PRC construction and environmental protection authorities. As of the date of this annual report, SST received one administrative penalty from Shanghai Songjiang Construction and Communication Committee for such noncompliance occurred in its construction of facility in Shanghai and we have paid the penalty in June 2011 and rectified the non-compliance in July 2011. If we are not able to obtain these approvals in the future, we could be required to pay fines, suspend production or cease operations.

As our manufacturing processes generate noise, waste water, gases and other industrial wastes, we are required to comply with all national and local regulations regarding protection of the environment. In addition, the National People's Congress of China and the Chinese government have promulgated certain resolutions and regulations regarding climate change, which generally require enterprises to take actions to effectively manage the impact of climate change, develop renewable energy solutions and control emissions. Other than those discussed above, we believe we are in material compliance with present environmental protection requirements and regulations, and have all necessary environmental permits to conduct our business, except as disclosed herein. However, if more stringent regulations are adopted in the future, the costs of compliance with such new regulations could be substantial. We believe that we have all of the permits necessary to conduct our business as it is presently conducted. If we fail to comply with present or future environmental regulations, however, we may be required to pay substantial fines, suspend production or cease operations. We use, generate and discharge toxic, volatile and otherwise hazardous chemicals and wastes in our research and development and manufacturing activities. Any failure by us to control the use of, or to restrict adequately the discharge of, hazardous substances could subject us to potentially significant monetary damages and fines or suspensions in our business operations.

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

As the insurance industry in China is still in an early stage of development, product liability insurance available in China offers limited coverage compared to that offered in many other countries. We are exposed to risks associated with product liability claims if the use of our solar power products results in injury, and we can not assure you that the product liability insurance is adequate. Since our products generate electricity, it is possible that users could be injured or killed by our products as a result of product malfunctions, defects, improper installation or other causes. We only began commercial shipment of our solar power products in August 2005, and, because of our limited operating history, we cannot predict whether product liability claims will be brought against us in the future or the effect of any resulting negative publicity on our business. Although we have begun purchasing product liability insurances for our solar module products since 2011, there is no assurance that these insurance policies will provide adequate coverage in the event of a successful product liability claim against us. If our product liability insurances are not adequate, the successful assertion of product liability claims against us could result in potentially significant monetary damages and require us to make significant payments. In addition, we have purchased business interruption insurance in 2011, but we can not assure you that it is adequate.

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

Our products may contain defects that are not detected until after they are sold or are installed because we cannot test for all possible scenarios. We have received in the past, and may receive from time to time in the future, complaints from certain customers that portions of our solar power products have quality deficiencies. If we deliver solar power products that do not satisfy our customers' or end users' quality requirements, or if there is a perception that our products are of poor quality, our credibility and the market acceptance and sales of our solar power products could be harmed. We may also incur substantial expenses to compensate the customers. Historically, some of our sales contracts with overseas customers provided for a 10-year warranty for the performance of our solar cells, and in some cases, our solar cells were sold with up to a 20-year warranty. In 2011, we sold our solar modules with a five-year warranty for defects in materials and workmanship and a minimum power output warranty of up to 25 years following the date of purchase. We also extended our warranty for defects in materials and workmanship from five years to ten years for all standard photovoltaic solar modules shipped after August 2011. As a result, we bear the risk of extensive warranty claims long after we have sold our products and recognized revenues. We therefore, in accordance with our own history, industry data and industry practices, accrue 1% of our sales of solar modules as warranty costs. See "Item 5. Operating and Financial Review and Prospects – A. Operating Results - Critical Accounting Policies - Warranty Costs." We have sold solar cells only since August 2005 and only recently started to manufacture and sell solar modules in large scale, which have been in use for only a relatively short period. Due to the short usage history of our products, we cannot assure you that our assumptions regarding the durability and reliability of our products are reasonable. Our warranty provisions may be inadequate, and we may have to incur substantial expense to repair or replace defective products in the future. Any increase in the defect rate of our products would cause us to increase the amount of our warranty reserves and have a correspondingly negative impact on our operating results. Furthermore, widespread product failures may damage our market reputation, reduce our market share and cause our sales to decline.

***If we fail to maintain an effective system of internal controls, we may be unable to accurately report our financial results or prevent fraud, and investor confidence and the market price of our common shares may, therefore, be adversely impacted .***

We are subject to reporting obligations under the U.S. securities laws. Beginning with our annual report on Form 20-F for the fiscal year ending December 31, 2008, we have been required to prepare a management report on our internal controls over financial reporting containing our management's assessment of the effectiveness of our internal controls over financial reporting. In addition, our independent registered public accounting firm must attest to and report on the effectiveness of our internal controls over financial reporting.

There have been historical deficiencies with our internal controls. In connection with the audit of our financial statements as of and for the year ended December 31, 2009, we identified a significant deficiency in our internal financial reporting procedure relating to the internal communications between our legal and finance department, and we have remediated this significant deficiency subsequently in 2010.

In connection with the preparation of this annual report on Form 20-F, we carried out an evaluation of the effectiveness of our internal control over financial reporting. Based on this assessment and evaluation, our management concluded that our internal control over financial reporting was effective as of December 31, 2011. See “Item 15. Controls and Procedures.” If we fail to maintain an effective system of internal control over financial reporting and an effective system of disclosure controls in the future, we may be unable to accurately report our financial results or prevent fraud, and as a result, investor confidence and the market price of our ADSs may be adversely impacted. Furthermore, we have incurred and anticipate that we will continue to incur considerable costs, management time and other resources in an effort to comply with Section 404 and other requirements of the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act.

***Our chairman has significant influence over our company, and his interests may not be aligned with the interests of our other shareholders.***

Mr. Tingxiu Lu, our chairman, currently beneficially owns 27.8% of our outstanding share capital as of March 31, 2012. Most of our bank borrowings are guaranteed by CEEG, an entity controlled by Mr. Lu. CEEG guaranteed the bank borrowings of Sunergy Nanjing for up to RMB2.5 billion (approximately \$397.2 million) until December 31, 2015, subject to adjustment in the event of a material change in CEEG’s credit or operational status. As both our chairman and our principal shareholder, Mr. Lu has significant influence over our business, including decisions regarding mergers, consolidations and the sale of all or substantially all of our assets, election of directors and other significant corporate actions. This concentration of ownership may discourage, delay or prevent a change in control of our company, which could deprive our shareholders of an opportunity to receive a premium for their shares as part of a sale of our company and might reduce the price of our ADSs. These actions may be taken even if they are opposed by our other shareholders and holders of our ADSs, including those who purchased our ADSs in our initial public offering.

***We have been a party in several legal proceedings, which, if determined adversely, could negatively affect our business and results of operations.***

We and several of our directors and officers were named defendants in three purported class actions currently pending in the United States District Court for the Southern District of New York—Brown v. China Sunergy Co., Ltd. et al., Case No. 07-CV-07895 (DAB), Sheshtawy v. China Sunergy Co., Ltd. et al., Case No. 07-CV-08656 (DAB), and Giombetti v. China Sunergy Co., Ltd. et al., Case No. 07-CV-09689 (DAB). On September 29, 2008, the District Court appointed a lead plaintiff and consolidated the three cases. The lead plaintiff alleges that we made false and misleading statements in our registration statement and prospectus in connection with our initial public offering in May 2007 regarding, among other things, the procurement of polysilicon, and seek unspecified damages. On January 26, 2009, the defendants filed a motion to dismiss the consolidated amended complaint. Briefing on the motion was completed on May 1, 2009. Defendants’ motion remained outstanding when, on July 14, 2009, the parties reached an agreement in principle to settle the dispute in its entirety. On May 12, 2011, the Court held that final hearing and issued a final judgment for each of the three filed cases, dismissing each case with prejudice and approving the parties’ settlement and plan of allocation. On May 13, 2011 the Court issued its final order and the case was closed. All payments of \$1.1 million pursuant to the settlement have been made by our insurers.

In 2009, we filed a petition in a Norwegian district court seeking injunction with regard to the withdrawal of a \$50 million bank guarantee, which was a security for our payment obligation under a long term supply contract entered into between REC SiTech AS, a Norwegian wafer supplier, and us in June 2008. Without obtaining our written consent as the contract requires, REC SiTech AS merged into REC Wafer Norway AS, or REC Wafer, upon its dissolution on January 1, 2009. Subsequently, the bank guarantee was not renewed. REC Wafer claimed that the non-renewal of the bank guarantee was a breach of contract which according to the supply contract is the basis for the drawdown of the bank guarantee, and it sought to draw on the bank guarantee. After a Norwegian Supreme Court ruling on this case in 2010 the injunction was granted and REC Wafer was prohibited from drawing on the bank guarantee.

The injunction in Norway was followed by a writ of certiorari where we claimed that REC Wafer was not, and had not been, a party to the contract entered into between REC SiTech AS and us in 2008. In June 2011 the Hålogaland Court of Appeal in Norway ruled in favor of us. The ruling from the Court of Appeal was consistent with the Norwegian Supreme Court ruling in 2010. Thereafter, REC decided to appeal the last ruling to the Supreme Court.

On October 17, 2011, we entered into a settlement agreement with REC Wafer to settle all disputes between REC Wafer and us. On October 28, 2011, we made a settlement payment to REC Wafer. The settlement amount has limited impact on our profitability. Simultaneously REC Wafer released the US\$50 million bank guarantees.

On December 12, 2011, SolarMax Technology, Inc., or SolarMax, a corporation incorporated in California, U.S.A., filed a complaint in the Superior Court of the State of California County of Los Angeles against us. The complaint alleged a breach of contract and intentional misrepresentation in connection with solar modules purchased by SolarMax from us and sought compensatory and actual damages in excess of \$20 million, punitive damages and attorneys' fees and costs. China Sunergy (US) Clean Tech Inc. was served with a summons and complaint in January 2012. In February 2012, we filed a motion to compel arbitration through the China International Economic and Trade Arbitration Commission as required by the contract terms. On March 28, 2012, the parties entered into an agreement whereby plaintiff would voluntarily dismiss the complaint without prejudice in exchange for a mutual waiver of attorney fees and costs. On April 4, 2012, the request for dismissal was entered and the case has now been dismissed.

Unfavorable resolutions of these legal proceedings or any future legal proceedings could materially and adversely affect our results of operations and financial condition. See Item 8, "Financial Information—Legal Proceedings."

### **Risks Related to Doing Business in China**

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

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

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

While the Chinese economy has grown significantly in the past 20 years, the growth has been uneven, both geographically and among various sectors of the economy. The PRC government has implemented various measures to encourage or control economic growth and guide the allocation of resources. Some of these measures benefit the overall Chinese economy, but may also have a negative effect on us. For example, our financial condition and results of operations may be adversely affected by government control over capital investments or changes in tax regulations that are applicable to us. As the PRC economy is increasingly linked to the global economy, it is affected in various respects by downturns and recessions of major economies around the world, such as the recent financial services and economic crises of these economies. The various economic and policy measures enacted by the PRC government to forestall economic downturns or shore up the PRC economy could materially affect our clients' businesses and our business.

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

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

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

***We rely on dividends paid by our subsidiaries for our cash needs.***

We conduct substantially all of our operations through our subsidiaries in the PRC. We rely on dividends paid by our PRC subsidiaries for our cash needs, including the funds necessary to pay dividends and other cash distributions to our shareholders, to service any debt we may incur and to pay our operating expenses. The payment of dividends by entities organized in China is subject to limitations. Regulations in the PRC currently permit payment of dividends only out of accumulated profits as determined in accordance with accounting standards and regulations in China. Our PRC subsidiaries are also required to set aside at least 10% of its after-tax profit based on PRC accounting standards each year to its general reserves until the accumulative amount of such reserves reaches 50% of its registered capital. These reserves are not distributable as cash dividends. Our PRC subsidiaries are also required to allocate a portion of its after-tax profits, as determined by its board of directors, to its staff welfare and bonus funds, which may not be distributed to equity owners. In addition, if our PRC subsidiaries incur debt on their own behalf in the future, the instruments governing the debt may restrict their ability to pay dividends or make other distributions to us.

Furthermore, the dividends we receive from our PRC subsidiaries may also be adversely affected by the Law of the People's Republic of China on Enterprise Income Tax, or the New EIT Law, and its implementation rules, or the New EIT Law Implementation Rules, which became effective on January 1, 2008. See “—Our global income and the dividends we receive from our PRC subsidiary may be subject to PRC tax under the New EIT Law, which would have a material adverse effect on our results of operations.”

***Our global income and the dividends we receive from our PRC subsidiaries may be subject to PRC tax under the New EIT Law, which would have a material adverse effect on our results of operations.***

Under the New EIT Law and the New EIT Law Implementation Rules, which became effective on January 1, 2008, an enterprise established outside of the PRC with “de facto management bodies” within the PRC is considered a PRC resident enterprise and will be subject to a 25% PRC enterprise income tax on its global income. The New EIT Law Implementation Rules define the term “de facto management bodies” as “establishments that carry out substantial and overall management and control over the manufacturing and business operations, personnel, accounting, properties, etc. of an enterprise.” On April 22, 2009, the State Administration of Taxation released a circular, or the Resident Enterprise Circular, which sets out the standards and procedures for recognizing the location of the “de facto management bodies” of an enterprise registered outside of the PRC and funded by Chinese enterprises as controlling investors, or the Chinese Funded Enterprise. Under the Resident Enterprise Circular, if (i) a Chinese Funded Enterprise's major management department and personnel who are responsible for carrying out daily operations are primarily located in the PRC; (ii) the department or the personnel who have the right to decide or approve the Chinese Funded Enterprise's financial and human resource matters are located in the PRC; (iii) the major assets, accounting books and records, company seals, board and shareholder meeting resolutions of the Chinese Funded Enterprise are located or maintained in the PRC; and (iv) 50% or more of voting board members or senior executives habitually reside in China, such Chinese Funded Enterprise shall be considered as a PRC resident enterprise. The Resident Enterprise Circular explicitly provides that the above standards shall apply to the enterprises which are registered outside the PRC and funded by Chinese enterprises as controlling investors, therefore such standards may be cited for reference only and may not be directly adopted when considering whether our Company's “de facto management body” is in the PRC or not. Moreover, the assessment of “resident enterprise” shall be determined by the PRC tax authorities based on the facts and circumstances of each individual case. Accordingly, it is still unclear whether we will be considered as a PRC resident enterprise under the New EIT Law as of the date of this annual report. If we are considered a PRC resident enterprise, we will be subject to a 25% PRC income tax on our global income and such 25% PRC income tax on our global income could significantly increase our tax burden and materially and adversely affect our cash flow and profitability.

Under the applicable PRC tax laws in effect before January 1, 2008, dividend payments to foreign investors made by foreign-invested enterprises such as our PRC subsidiary, Sunergy Nanjing, were exempt from PRC withholding tax. Pursuant to the New EIT Law and the New EIT Law Implementation Rules, however, dividends generated after January 1, 2008 and payable by a foreign-invested enterprise to its foreign investors will be subject to a 10% withholding tax if the foreign investors are considered as non-PRC resident enterprises without any establishment or place of business within China or if the dividends payable have no connection with the establishment or place of business of the foreign investors within China, unless any such foreign investor's jurisdiction of incorporation has a tax treaty with China that provides for a reduced withholding arrangement. The Cayman Islands, where we are incorporated, does not have such a tax treaty with China. China Sunergy (Hong Kong) Co., Limited., or Sunergy Hong Kong, the direct holder of the 100% equity interest in Sunergy Nanjing, is incorporated in Hong Kong. According to the Mainland and Hong Kong Special Administrative Region Arrangement on Avoiding Double Taxation or Evasion of Taxation on Income agreed between China and Hong Kong in August 2006, dividends paid by a foreign-invested enterprise in China to its direct holding company in Hong Kong will be subject to withholding tax at a rate of no more than 5% (if the foreign investor is deemed as the beneficial owner of the dividend by PRC tax authorities and owns directly at least 25% of the shares of the foreign-invested enterprise). Under the New EIT Law Implementation Rules, if we and Sunergy Hong Kong were regarded as PRC resident enterprises, the dividends payable to us from Sunergy Nanjing would be exempt from the PRC income tax. If we were regarded as a non-PRC resident enterprise and Sunergy Hong Kong were regarded as a PRC resident enterprise, then Sunergy Hong Kong would be required to withhold a 10% withholding tax on any dividends payable to us, while if Sunergy Hong Kong is deemed as the beneficial owner of the dividend by PRC tax authorities and regarded as a non-PRC resident enterprise, then Sunergy Nanjing would be required to withhold a 5% withholding tax on any dividends payable to Sunergy Hong Kong. In either case, the amount of funds available to us to meet our cash requirements, including the payment of dividends to our shareholders and debt service on any debt we incur, could be materially reduced.

In addition, if we are regarded as a PRC resident enterprise, under the New EIT Law, any dividends to be distributed by us to our non-PRC shareholders or holders of ADSs will be subject to a withholding tax. We also cannot assure you that any gain realized by non-PRC shareholders or holders of our ADSs from the transfer of our shares or ADSs will not be subject to a withholding tax. Unless there are further rules announced by the Chinese tax authorities, we may be required under the New EIT Law to withhold PRC income tax on our dividends payable to our non-PRC shareholders or holders of ADSs, or any gain realized by our non-PRC shareholders or holders of ADSs from transfer of the shares or ADSs, and your investment in our ADSs may be materially and adversely affected.

According to a circular released by the State Administration of Taxation regarding the understanding and recognition of the identification of "beneficial owner" under tax treaties on October 27, 2009, or the Beneficial Owner Recognition Circular, a corporate resident of a contracting state will not be entitled to the lower withholding tax rate under a tax treaty if it is considered a "conduit company" which is set up merely for the purpose of avoiding or reducing tax or transferring or accumulating profits, as opposed to a beneficial owner who owns and controls an item of income, or the right or property from which that item of income is derived, and is normally engaged in substantive business activities such as manufacturing, sales and management. Therefore, if Sunergy Hong Kong were not considered to be the beneficial owner of Sunergy Nanjing as the case may be, under the terms of the Beneficial Owner Recognition Circular, we may not be able to enjoy the applicable tax treaty benefits between the PRC and Hong Kong, and any dividends paid by Sunergy Nanjing to Sunergy Hong Kong may incur a higher withholding tax rate of 10%. No similar tax treaty exists between the PRC and the Cayman Islands.

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



Certain portions of our revenues and expenses are denominated in Renminbi. If our revenues denominated in Renminbi increase or expenses denominated in Renminbi decrease in the future, we may need to convert a portion of our revenues into other currencies to meet our foreign currency obligations, including, among others, payment of dividends declared, if any, in respect of our ordinary shares or ADSs. Under China's existing foreign exchange regulations, Sunergy Nanjing is able to pay dividends in foreign currencies, without prior approval from the State Administration of Foreign Exchange, or SAFE, by complying with certain procedural requirements. However, we cannot assure you that the PRC government will not take further measures in the future to restrict access to foreign currencies for current account transactions.

Most foreign exchange transactions by Sunergy Nanjing under capital accounts continue to be subject to significant foreign exchange controls and require the approval of, or registration with, PRC governmental authorities. In particular, if Sunergy Nanjing borrows foreign currency loans from us or other foreign lenders, these loans cannot exceed statutory limits and must be registered with the SAFE, and if we finance Sunergy Nanjing by means of additional capital contributions, these capital contributions must be approved or registered by certain government authorities including the SAFE, the Ministry of Commerce or their local counterparts. These limitations could affect the ability of Sunergy Nanjing to obtain foreign exchange through debt or equity financing, and could affect our business and financial condition.

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

The PRC government has provided various incentives to foreign-invested enterprises. Because Sunergy Nanjing is a foreign-invested enterprise engaged in manufacturing businesses and located in Nanjing, which is within a coastal economic zone, it was entitled to a preferential enterprise income tax rate of 24% prior to January 1, 2008. As a foreign-invested enterprise engaged in manufacturing businesses, Sunergy Nanjing is also entitled to a two-year income tax exemption and 50% reduction for the succeeding three years from the first profitable year. On March 16, 2007, the National People's Congress of China, or the Congress, enacted the New EIT Law, under which foreign invested enterprises and domestically-owned enterprises would be subject to enterprise income tax at a uniform rate of 25%. On December 6, 2007, the State Council promulgated the New EIT Law Implementation Rules. Both the New EIT Law and its Implementation Rules became effective on January 1, 2008. The New EIT Law also provides transitional measures for enterprises established prior to the promulgation of the New EIT Law and eligible for lower tax rate or preferential treatment in accordance with the then-prevailing tax laws and administrative regulations. On December 26, 2007, State Council of China promulgated the Circular on Carrying Out the Transitional Preferential Policies concerning Enterprise Income Tax, or the Circular. Under the New EIT Law, the Implementation Rules and the Circular, enterprises which were established and already enjoyed preferential enterprise income tax treatments before March 16, 2007 will continue to enjoy them (i) in the case of preferential tax rates, for a period of five years from January 1, 2008, and the enterprises which previously enjoyed the tax rate of 24% shall be subject to the tax rate of 25% in 2008, or (ii) in the case of preferential tax exemption or reduction for a specified term, until the expiration of such term or 2012, whichever is earlier. However, the Circular also prescribes that if the above transitional relief of enterprise income tax overlaps with the preferential treatments provided by the New EIT Law, an enterprise may choose the more favorable treatment, and shall not enjoy both. The treatment cannot be changed once it is chosen. In addition, on April 14, 2008, the Ministry of Finance, the Ministry of Science and Technology and the State Administration of Taxation jointly promulgated the Administration Measures for Recognition of High and New Technology Enterprises, or the Recognition Measures. Pursuant to the New EIT Law, the New EIT Law Implementation Rules and the Recognition Measures, the qualifying High and New Technology Enterprise, or HNTE, is eligible for a preferential tax rate of 15%. See "Item 4. Information On The Company - Business Overview - Regulation - Tax" for a discussion of the requirements to qualify as a HNTE. In October 2008, Sunergy Nanjing obtained the HNTE certificate with a three-year validity term from 2008 to 2010, and renewed the HNTE certificate with another three-year validity term from 2011 to 2013. Therefore, Sunergy Nanjing is entitled to a preferential income tax rate of 15% as long as it maintains its HNTE qualification under the New EIT Law and the Recognition Measures. Based on the Circular, the management chose to enjoy the transitional relief, i.e. 12.5% from 2008 to 2010. In 2011, Sunergy Nanjing is subject to a preferential income tax rate of 15%. In December 2009, SST obtained the HNTE certificate with a three-year validity term from 2009 to 2011. Therefore, SST was entitled to a preferential income tax rate of 15% from 2009 to 2011. SST's HNTE certificate expired in 2011 and SST currently is preparing for the application of the renewal of the HNTE certificate. We cannot assure you that we will be able to successfully renew the HNTE qualification or maintain our current effective tax rate in the future. Any discontinuation of preferential tax treatment or any increase of the enterprise income tax rate applicable to Sunergy Nanjing or SST could have a material adverse effect on our financial condition and results of operations.

***Our failure to obtain the prior approval of the China Securities Regulatory Commission, or the CSRC, of the listing and trading of our ADSs on the Nasdaq Global Select Market could have a material adverse effect on our business, operating results, reputation and trading price of our ADSs.***

On August 8, 2006, six PRC regulatory agencies, including CSRC, promulgated the Regulation on Mergers and Acquisitions of Domestic Companies by Foreign Investors, which became effective on September 8, 2006.

This regulation, among other things, has certain provisions that purport to require offshore special purpose vehicles, or SPVs, formed for the purpose of acquiring PRC domestic companies and controlled by PRC individuals, to obtain the approval of the CSRC prior to listing their securities on an overseas stock exchange. The application of this PRC regulation remains unclear with no consensus currently existing among the leading PRC law firms regarding the scope and applicability of the CSRC approval requirement. On September 21, 2006, the CSRC published on its official website a notice specifying the documents and materials that are required to be submitted for obtaining CSRC approval. We believe, based on the advice of our PRC counsel, Jun He Law Offices, that although the CSRC generally has jurisdiction over overseas listing of SPVs like us, it was not necessary for us to obtain CSRC approval for our initial public offering given the fact that we had legally completed the acquisition of all the equity interest in Sunergy Nanjing before the new regulation became effective. Uncertainty as to how this regulation will be interpreted or implemented still remains. If the CSRC or another PRC regulatory agency subsequently determines that the CSRC's approval was required for our initial public offering and offering of convertible senior notes, we may face sanctions by the CSRC or another PRC regulatory agency. If this happens, these regulatory agencies may impose fines and penalties on our operations in the PRC, limit our operating privileges in the PRC, delay or restrict the repatriation of the proceeds from our initial public offering into the PRC, restrict or prohibit payment or remittance of dividends by Sunergy Nanjing, or take other actions that could have a material adverse effect on our business, financial condition, results of operations, reputation and prospects, as well as the trading price of our ADSs. Also, if later the CSRC requires that we obtain its approval, we may be unable to obtain a waiver of the CSRC approval requirements, if and when procedures are established to obtain such a waiver. Any uncertainties and/or negative publicity regarding this CSRC approval requirement could have a material adverse effect on the trading price of our ADSs.

***Regulations relating to offshore investment activities by PRC residents may limit our ability to inject capital into our PRC subsidiaries, limit our subsidiaries' ability to distribute profits to us, or otherwise adversely affect us.***

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

***A failure to comply with PRC regulations regarding the registration of shares and share options held by our employees who are PRC citizens may subject such employees or us to fines and legal or administrative sanctions.***

Under the SAFE regulations, PRC citizens who participate in an employee stock ownership plan or a stock option plan in an overseas publicly listed company are required to register with SAFE or its local branch and complete certain other procedures. Participants of a stock incentive plan who are PRC citizens must retain a qualified PRC agent, which could be a PRC subsidiary of such overseas publicly-listed company, to conduct the SAFE registration and other procedures with respect to the stock incentive plan on behalf of these participants. Such participants must also retain an overseas entrusted institution to handle matters in connection with their exercise or sale of stock options. In addition, the PRC agent is required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan, the PRC agent or the overseas entrusted institution or other material changes.

In addition, the General Administration of Taxation has issued certain circulars concerning employee share options. Pursuant to these circulars, our employees working in China who exercise their share options will be subject to PRC individual income tax. Our PRC subsidiaries have obligations to file documents related to such employee share options with relevant tax authorities and withhold individual income taxes of those employees who exercise their share options.

We and the participants of our share incentive plans who are PRC citizens are subject to these rules. We have made the initial registration for our employees' participation in our share incentive plan with the local SAFE, and we will attempt to comply with the relevant requirements under such rules. Failure to comply with such rules may subject us and the participants of our share incentive plans who are PRC citizens to fines and legal sanctions and prevent us from further granting options and restricted share under our share incentive plans, which could adversely affect our business operations. See "Regulation—Share Incentive Plan."

***Increase in labor costs and the new Labor Contract Law and other labor-related regulations in the PRC may adversely affect our business and our profitability.***

On June 29, 2007, the National People's Congress of China enacted a new Labor Contract Law, which became effective on January 1, 2008. Compared to the PRC Labor Law effective as of January 1, 1995, the new Labor Contract Law imposes more restrictions and increases costs for the employers to terminate employment, including specific provisions related to fixed term employment contracts, temporary employment, probation, consultation with the labor union and employee assembly, employment without a contract, dismissal of employees, compensation upon termination and overtime work, and collective bargaining. According to the new Labor Contract Law, the employer is obliged to sign an unlimited term labor contract with an employee if the employer continues to hire the employee after two consecutive fixed term labor contracts or after the employee spends 10 consecutive years working for the employer. The employer also has to pay a compensation fee to the employee if the employer terminates an unlimited term labor contract. Unless an employee refuses to extend an expired labor contract, such compensation is also required when the labor contract expires. Further, under the Regulations on Paid Annual Leave for Employees, which became effective on January 1, 2008, employees who have served more than one year for an employer are entitled to a paid vacation ranging from 5 to 15 days, depending on their length of service. Employees who waive such vacation time at the request of employers shall be compensated for three times their normal salaries for each waived vacation day. As a result of these new protective labor measures, our labor costs are expected to increase, which may adversely affect our business and our results of operations.

***We face risks related to natural disasters and health epidemics, which could have a material and adverse effect on our business and results of operations.***

Our business could be adversely affected by the effects of avian flu, SARS or another epidemic or outbreak. China reported a number of cases of SARS in April 2004. Since 2005, there have been reports of occurrences of avian flu in various parts of China, including a few confirmed human cases and deaths. In April 2009, an outbreak of a new strain of influenza identified as the Influenza A (H1N1) virus occurred in Mexico resulting in a number of deaths. As the virus continued to spread worldwide including China, the World Health Organization on June 11, 2009 declared the H1N1 virus outbreak a global pandemic. The spread of H1N1 or any prolonged recurrence of avian influenza, SARS or other adverse public health developments in China could have a material adverse effect on our business operations. These could include restrictions on our ability to travel or ship our products outside China as well as temporary closure of our manufacturing facilities. Such closures or travel or shipment restrictions would severely disrupt our business operations and adversely affect our results of operations. We have not adopted any written preventive measures or contingency plans to combat any future outbreak of avian flu, SARS or any other epidemic. More recently, in March 2011, Japan was struck by a 9.0-magnitude earthquake and tsunami, which may affect Japan's production of polysilicon and may result in upward pressure on pricing of silicon raw materials globally. Additionally, the production cost for solar power products is influenced by macroeconomic factors such as global economic conditions, the supply and prices of other energy products such as oil. An increase in oil prices, for example, may increase the production cost for solar power products globally. While such events in the past have not had an adverse impact on us as of the date of this annual report, future natural disasters and health hazards may severely restrict the level of economic activity in affected areas, which may in turn materially and adversely affect our business and prospects.

***The audit report included in this annual report are prepared by auditors who are not inspected by the Public Company Accounting Oversight Board and, as such, you are deprived of the benefits of such inspection***

Our independent registered public accounting firm that issues the audit reports included in our annual reports filed with the US Securities and Exchange Commission, as auditors of companies that are traded publicly in the United States and a firm registered with the US Public Company Accounting Oversight Board (United States) (“the “PCAOB”), is required by the laws of the United States to undergo regular inspections by the PCAOB to assess its compliance with the laws of the United States and professional standards. Because our auditors are located in the Peoples’ Republic of China, a jurisdiction where the PCAOB is currently unable to conduct inspections without the approval of the Chinese authorities, our auditors are not currently inspected by the PCAOB.

Inspections of other firms that the PCAOB has conducted outside China have identified deficiencies in those firms’ audit procedures and quality control procedures, which may be addressed as part of the inspection process to improve future audit quality. This lack of PCAOB inspections in China prevents the PCAOB from regularly evaluating our auditor’s audits and its quality control procedures. As a result, investors may be deprived of the benefits of PCAOB inspections.

The inability of the PCAOB to conduct inspections of auditors in China makes it more difficult to evaluate the effectiveness of our auditor’s audit procedures or quality control procedures as compared to auditors outside of China that are subject to PCAOB inspections. Investors may lose confidence in our reported financial information and procedures and the quality of our financial statements.

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

***The market price for our ADSs has been volatile since our ADSs began trading on NASDAQ, and may be subject to fluctuations in the future, which could result in substantial losses to investors.***

We cannot assure you that the market price of ADSs will not significantly fluctuate from its current level. The market price of our ADSs may be subject to wide fluctuations in response to factors including the following:

- announcements of technological or competitive developments;
- regulatory developments in our target markets affecting us, our customers or our competitors;
- announcements of studies and reports relating to the conversion efficiencies of our products or those of our competitors;
- actual or anticipated fluctuations in our quarterly operating results;
- changes in financial estimates by securities research analysts;
- changes in the economic performance or market valuations of other solar power technology companies;
- addition or departure of our executive officers and key research personnel;
- announcements regarding patent litigation or the issuance of patents to us or our competitors;
- fluctuations in the exchange rates between the U.S. dollar, the Euro and RMB;
- release or expiry of lock-up or other transfer restrictions on our outstanding ordinary shares or ADSs; and
- sales or perceived sales of additional ADSs.

In addition, the securities markets have from time to time experienced significant price and volume fluctuations that are not related to the operating performance of particular companies. These market fluctuations may also have a material adverse effect on the market price of our ADSs. In particular, the performance and fluctuation of market prices of other companies with business operations located mainly in China that have listed their securities in the United States may affect the volatility in the price of and trading volumes for our ADSs. The trading performances of these China-based companies’ securities at the time of or after their offerings may affect the overall sentiment toward China-based companies’ securities listed in the United States and consequently may impact the trading performance of our ADSs. Volatility in global capital markets could also have an effect on the market price of our ADSs. For example, financial markets have experienced extreme disruption in the past years, including, among other things, extreme volatility in security prices. In the event of a continuing market downturn, the market price of our ADSs may further decline.

***Substantial future sales of our ADSs or ordinary shares in the public market, or the perception that these sales could occur, could cause the price of our ADSs to decline.***

Additional sales of our ADSs or ordinary shares in the public market, or the perception that these sales could occur, could cause the market price of our ADSs to decline. If our shareholders sell substantial amounts of our ADSs, including those issued upon the exercise of outstanding options, in the public market, the market price of our ADSs could fall. Such sales also might make it more difficult for us to sell equity or equity-related securities in the future at a time and price that we deem appropriate. If any existing shareholder or shareholders sell a substantial amount of ordinary shares, the prevailing market price for our ADSs could be adversely affected.

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

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

Based on the market price of our ADSs, the value of our assets, and the composition of our income and assets, although we do not believe we were a “passive foreign investment company,” or PFIC, for U.S. federal income tax purposes for our taxable year ended December 31, 2011, we cannot assure you we were not a PFIC for such year. A non-U.S. corporation will be a PFIC for any taxable year if either (1) at least 75% of its gross income for such year is passive income or (2) at least 50% of the value of its assets (based on an average of the quarterly values of the assets) during such year is attributable to assets that produce passive income or are held for the production of passive income. A separate determination must be made after the close of each taxable year as to whether we were a PFIC for that year. Because the value of our assets for purposes of the PFIC test will generally be determined by reference to the market price of our ADSs or ordinary shares, fluctuations in the market price of the ADSs or ordinary shares may cause us to become a PFIC. In addition, changes in the composition of our income or assets may cause us to become a PFIC. If we are a PFIC for any taxable year during which a U.S. Holder (as defined in Item 10, “Additional Information—Taxation—United States Federal Income Taxation”) holds an ADS or an ordinary share, certain adverse U.S. federal income tax consequences could apply to such U.S. Holder. See Item 10, “Additional Information—Taxation—United States Federal Income Taxation—Passive Foreign Investment Company.”

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

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

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

***Anti-takeover provisions in our charter documents may discourage a third party from acquiring us, which could limit our shareholders' opportunities to sell their shares at a premium.***

Our amended and restated memorandum and articles of association include provisions that could limit the ability of others to acquire control of us, modify our structure or cause us to engage in change-of-control transactions. These provisions could have the effect of depriving our shareholders of an opportunity to sell their shares at a premium over prevailing market prices by discouraging third parties from seeking to obtain control of us in a tender offer or similar transaction.

For example, our board of directors will have the authority, without further action by our shareholders, to issue preferred shares in one or more series and to fix the powers and rights of these shares, including dividend rights, conversion rights, voting rights, terms of redemption and liquidation preferences, any or all of which may be greater than the rights associated with our ordinary shares. Preferred shares could thus be issued quickly with terms calculated to delay or prevent a change in control or make removal of management more difficult. In addition, if our board of directors issues preferred shares, the market price of our ordinary shares may fall and the voting and other rights of the holders of our ordinary shares may be adversely affected.

Our amended and restated articles of association provide for a staggered board, which means that our directors are divided into three classes, with around one-third of our board standing for election every year. This means that, with our staggered board, at least two annual shareholders' meetings, instead of one, are generally required in order to effect a change in a majority of our directors. Our staggered board can discourage proxy contests for the election of our directors and purchases of substantial blocks of our shares by making it more difficult for a potential acquirer to take control of our board in a relatively short period of time.

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

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

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

***You will have limited ability to bring an action against us or against our directors and officers, or to enforce a judgment against us or them, because we are incorporated in the Cayman Islands, because we conduct a majority of our operations in China and because the majority of our directors and officers reside outside the U.S.***

We are incorporated in the Cayman Islands, and conduct substantially all of our operations in China through Sunergy Nanjing, NRE and SST, our wholly owned subsidiaries established in China. Most of our directors and officers reside outside the United States and substantially all of the assets of those persons are located outside the United States. As a result, it may be difficult or impossible for you to bring an action against us or against these individuals in the Cayman Islands or in China in the event that you believe that your rights have been infringed under the applicable securities laws or otherwise. Even if you are successful in bringing an action of this kind, the laws of the Cayman Islands and of China may render you unable to enforce a judgment against our assets or the assets of our directors and officers.

***The voting rights of holders of our ADSs are limited in several significant ways by the terms of the deposit agreement.***

Holders of our ADSs may only exercise their voting rights with respect to the underlying ordinary shares in accordance with the provisions of the deposit agreement. Upon receipt of voting instructions from a holder of ADSs in the manner set forth in the deposit agreement, the depositary will endeavor to vote the underlying ordinary shares in accordance with these instructions. Under our amended and restated memorandum and articles of association, the minimum notice period required for convening a general meeting is ten clear days. When a general meeting is convened, you may not receive sufficient notice of a shareholders' meeting to permit you to withdraw your ordinary shares to allow you to cast your vote with respect to any specific matter at the meeting. In addition, the depositary and its agents may not be able to send voting instructions to you or carry out your voting instructions in a timely manner. We will make all reasonable efforts to cause the depositary to extend voting rights to you in a timely manner, but we cannot assure you that you will receive the voting materials in time to ensure that you can instruct the depositary to vote your shares. Furthermore, the depositary and its agents will not be responsible for any failure to carry out any instructions to vote, for the manner in which any vote is cast or for the effect of any such vote. As a result, you may not be able to exercise your right to vote and you may lack recourse if your ordinary shares are not voted as you requested.

***You may be subject to limitations on transfer of your ADSs.***

Your ADSs, represented by American depositary receipts, are transferable on the books of the depositary. However, the depositary may close its books at any time or from time to time when it deems expedient in connection with the performance of its duties. The depositary may close its books from time to time for a number of reasons, including in connection with corporate events such as a rights offering, during which time the depositary needs to maintain an exact number of ADS holders on its books for a specified period. The depositary may also close its books in emergencies, and on weekends and public holidays. The depositary may refuse to deliver, transfer or register transfers of our ADSs generally when our books or the books of the depositary are closed, or at any time if we or the depositary thinks it is necessary or advisable to do so in connection with the performance of its duty under the deposit agreement, including due to any requirement of law or any government or governmental body, or under any provision of the deposit agreement.

**ITEM 4. INFORMATION ON THE COMPANY**

**A. History and Development of the Company**

Our operating subsidiary, Sunergy Nanjing, was incorporated in August 2004 in Nanjing, China. China Sunergy Co., Ltd., or Sunergy BVI, our holding company incorporated in the British Virgin Islands, acquired all of the equity interests in Sunergy Nanjing in April 2006 through a series of transactions that we have accounted for as a legal reorganization. As part of a restructuring in anticipation of our initial public offering, we incorporated China Sunergy Co., Ltd., or Sunergy, in the Cayman Islands on August 4, 2006. Sunergy became our ultimate holding company upon its issuance of shares to the existing shareholders of Sunergy BVI on August 30, 2006 in exchange for all shares of equivalent classes that these shareholders previously held in Sunergy BVI. In December 2007, Sunergy BVI incorporated China Sunergy (Hong Kong) Co., Limited., or Sunergy Hong Kong, in Hong Kong. During the same month, Sunergy BVI transferred all of the equity interests in Sunergy Nanjing to Sunergy Hong Kong, which became the direct holding company of Sunergy Nanjing. We conduct substantially all of our operations through Sunergy Nanjing.

In May 2007, we completed our initial public offering, in which we issued and sold 9,775,000 ADSs (approximately 3,258,333 ADSs if retroactively adjusted to reflect the ADS to ordinary share ratio change), representing 58,650,000 of our ordinary shares, at a public offering price of \$11.00 per ADS (approximately \$33.0 per ADS if retroactively adjusted to reflect the ADS to ordinary share ratio change). In July 2008, we completed our offering of \$54.5 million aggregate principal amount of 4.75% convertible senior notes due June 2013 and public offering of 4,431,000 ADSs (approximately 1,477,000 ADSs if retroactively adjusted to reflect the ADS to ordinary share ratio change), which were loaned to an affiliate of the initial purchaser of the notes, who in turn sold the borrowed ADSs in the offering. We did not receive any proceeds from the offering of the borrowed ADSs, but has received a nominal lending fee from the ADS borrower.

As our strategy to enter into solar module business, on November 1, 2010, we completed the acquisitions of our related parties SST and NRE from CEEG, an entity controlled by Mr. Tingxiu Lu, and Sundex Holdings Limited, a company not affiliated with us. The total acquisition consideration of these two modules manufacturers are approximately RMB308.0 million (\$48.9 million). See “- Organizational Structure” beginning on page 47 for a detailed discussion of our corporate history.

On December 21, 2011, we effected a change of the ADS to ordinary share ratio from one ADS representing six ordinary shares to one ADS representing 18 ordinary shares. The ratio change has the same effect as a one-for-three ADS consolidation.

Our principal executive offices are located at No. 123 Focheng West Road, Jiangning Economic & Technical Development Zone, Nanjing, Jiangsu 211100, People's Republic of China. Our telephone number at this address is (86-25) 5276-6666 and our fax number is (86-25) 5276-6882.

You should direct all inquiries to us at the address and telephone number of our principal executive offices set forth above. Our website is [www.chinasunergy.com](http://www.chinasunergy.com). The information contained on our website does not form part of this report. Our agent for service of process in the United States is CT Corporation System, located at 111 Eighth Avenue, New York, New York 10011.

## B. Business Overview

We manufacture and sell solar cell and solar module products that convert sunlight into electricity for a variety of uses. Historically, we primarily manufactured solar cells from silicon wafers utilizing crystalline silicon solar cell technology to convert sunlight directly into electricity through a process known as the photovoltaic effect. In the fourth quarter of 2010, as part of our business strategy to achieve more vertical integration, we acquired SST and NRE, two solar module manufacturers, from a related party, and began engaging in manufacturing and sales of solar modules. Since then, most of our solar cells have been used for the production of solar modules. Solar modules are arrays of interconnected solar cells encased in a weatherproof frame. Currently our principal end-products are solar modules in different sizes and power outputs but we also manufacture and sell solar cells of various specialties. Currently, we sell solar cells and modules under the brands of "CSUN" and "CEEG".

We commenced business operations in August 2004. In 2005, we had only one solar cell manufacturing line. In 2006, we installed five additional solar cell manufacturing lines and expanded our annual manufacturing capacity of solar cells by 160 MW, assuming the use of 156-millimeter monocrystalline silicon wafers. Our fifth line, which achieved full scale manufacturing capacity in November 2006, commenced commercial mass production of selective emitter cells using monocrystalline silicon wafers, an improved version of the P-type solar cells that we and most other solar cell manufacturers produce, in the fourth quarter of 2007. In December 2008, we installed four new solar cell lines for the production of selective emitter cells. These four new lines are producing selective emitter cells with performance similar to those from the first line which produces selective emitter solar cells. In 2010, we installed three new solar cell lines for the production of selective emitter cells. These three lines achieved full scale manufacturing capacity in December 2010 and are producing selective emitter cells with performance similar to those produced from our previous selective emitter cell lines. Hence, eight of our manufacturing lines are capable of producing high efficiency selective emitter cells. We have commercially produced our QSAR™ solar cells and PSAR™ solar cells on two of our manufacturing lines in 2011 and in 2012, respectively. As of December 31, 2011, our 13 solar cell manufacturing lines had an aggregate annual production capacity of solar cells of 404 MW, assuming the use of 156-millimeter monocrystalline silicon wafers. We plan to increase the above manufacturing capacities by adding new manufacturing lines in response to growing demand for our solar power products. In June 2011, we invested in a new solar cell project in Yangzhou, Jiangsu Province, China, with a target manufacturing capacity of 1 GW of solar cells. We expect the construction to begin in the first half of 2012.

We expanded our business to the manufacturing and sales of solar modules in the fourth quarter of 2010. As of December 31, 2011, we had an aggregate annual production capacity of solar modules of 915 MW.

Since our inception, our research and development team has been led by two solar power researchers, Dr. Jianhua Zhao and Dr. Aihua Wang, who have 32 and 27 years of solar cell research experience, respectively, and established excellent credentials in the solar power industry. Our research and development efforts focus on continually enhancing our solar cell conversion efficiencies, which measure the ability of solar power products to convert sunlight into electricity, and improving our manufacturing operations of both solar cells and modules. In 2011, our research and the production management teams have made a concerted effort to improve the performance of our standard crystalline solar cells. In addition, our research team continued to focus on the development of advanced process technology for the effective manufacturing of high-efficiency solar power products. .



In 2009, the shipment of our solar power products amounted to 194.0 MW, including 181.5 MW of solar cells sold, 4.2 MW of solar cells processed under OEM arrangements and 8.3 MW of modules sold. In 2010, the shipment of our solar power products amounted to 347.8 MW, including 277.2 MW of solar cells sold, 3.4 MW solar cells and modules processed under OEM arrangements and 67.2 MW of modules sold. In 2011, the shipment of our solar power products amounted to 420.3 MW, including 6.6 MW of solar cells sold, 2.2 MW solar cells and modules processed under OEM arrangements and 411.5 MW of modules sold. We had net revenues of \$284.9 million, \$517.2 million and \$566.3 million in 2009, 2010 and 2011, respectively. We incurred a net loss of \$94.3 million in 2011, compared to a net loss of \$10.3 million in 2009 and a net income of \$51.7 million in 2010.

## Products

We currently design, develop, manufacture and sell solar cells and solar modules.

### *Solar Cells*

A solar cell is a device made from a silicon wafer that converts sunlight directly into electricity by a process known as the photovoltaic effect. Currently, we produce both monocrystalline and multicrystalline silicon solar cells. In addition to standard P-type solar cells and HP solar cells, we also produce selective emitter cells, an improved version of the P-type solar cells that we and most other solar cell manufacturers produce. In 2011, we commercially introduced a new type of cost effective and high efficiency solar cell, named “QSAR™”. QSAR™ solar cells have a much improved conversion efficiency compared with standard P-type solar cells. Our QSAR™ solar cells have been commercially shipped in June 2011 and we have obtained the TUV certificates for QSAR™ solar modules in November 2011. In addition, we are upgrading technologies for manufacturing PSAR™ solar power products and in the process of obtaining major product certifications for our bi-facial solar power products.

The following table sets forth the types of solar cells we produced in 2011 with the specifications indicated.

<b>Monocrystalline or Multicrystalline Solar Cell</b>	<b>Dimensions (mm×mm)</b>	<b>As a Percentage of Total Output in 2011 As Measured by MW (%)</b>
Monocrystalline silicon solar cell	125×125 156×156	11.0 26.0
Multicrystalline silicon solar cell	156×156	63.0

We produce a test batch of solar cells from each shipment of silicon wafers that we receive, and return the wafers if the quality is below our standards. However, normal variation in the quality of silicon wafers in shipments that meet our standards will still result in the production of a certain proportion of solar cells that do not meet our customers’ specifications. These solar cells have either lower battery efficiency or a flawed appearance. Such lower quality solar cells are a by-product of the normal production of solar cells, and the defects are typically caused by the inadvertent use of wafers which have quality defects or improper processing during the production. We refer to monocrystalline solar cells with conversion efficiency below 16.5%, and multicrystalline solar cells with conversion efficiency below 15.25% as being off-specification. Although we continuously look for ways to eliminate or reduce such defects, our historical data shows that approximately 3% of the solar cells produced by us are affected by the defects described. We sell off-specification solar cells at a discount to recover some of the costs we incur in the production process. The market price for off-specification solar cells is typically lower than the cost incurred in their production, which results in negative margin.

### *Solar Modules*

Solar modules are arrays of interconnected solar cells encased in a weatherproof frame. Through SST and NRE, which we acquired in 2010, we produce standard monocrystalline modules ranging from 185 W to 320 W in power output and multicrystalline modules ranging from 230 W to 295 W in power output. We build our modules to general specifications for use in a wide range of residential, commercial, industrial and other solar power generation systems. The variation in power output is based on the conversion efficiency of the cells used in our solar modules, as well as the types of cells. We assemble solar modules either from monocrystalline or multicrystalline cells. The amount of solar cells manufactured by us accounts for approximately 69% of the supplies we used for our module business in 2011. Our solar modules are sealed, weatherproof and able to withstand high levels of ultraviolet radiation and moisture.

The following table sets forth the major types of modules produced by us:

<b>Dimensions</b> <b>(mm x mm)</b>	<b>Weight</b> <b>(Kilograms)</b>	<b>Maximum Power</b> <b>(Watts)</b>	<b>Optimum Operating Voltage</b> <b>(Volts)</b>
1580 x 808	15.6	185 – 205	35.8 – 38
1640 x 990	19.1	230 – 270	29.4 – 31.2
1956 x 990	23.8	275 – 320	35.2 – 37.4

## **Manufacturing Process**

### ***Solar Cells***

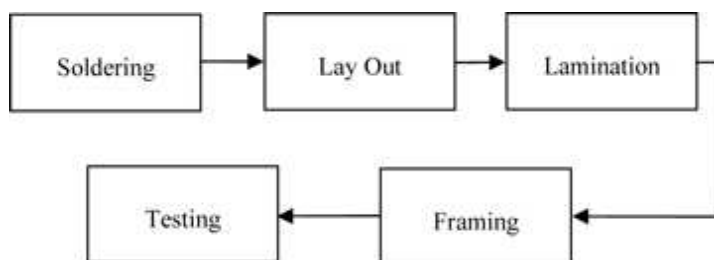
The manufacturing process for our solar cells includes the following main steps:

- Chemical treatment of silicon wafers. We first fabricate a textured structure on the wafer surface through chemical treatment to reduce the reflection of sunlight. The chemical treatment process produces a surface structure, which traps sunlight into the silicon.
- Diffusion process. Diffusion is a thermal process through which we selectively incorporate impurities into the silicon wafer and form an electrical field within the surface region of the wafer.
- Back junction removal. We achieve electrical isolation between the front and back surfaces of the silicon wafer through a process known as backside etching technology.
- Anti-reflection coating and surface passivation. We apply an anti-reflection coating to the front surface of the solar cell, which helps to significantly reduce the light reflection at the cell surface. Such coating also passivates the cell surface to reduce the carrier loss at the surface and hence increases the cell current density. Our surface coating technology ensures the appropriate thickness and refractive index of the coating to achieve high conversion efficiencies.
- Screen printing and firing. We screen print negative and positive metal contacts, or electrodes, on the solar cell. Silicon and metal electrodes are then connected through an electrode firing process in a furnace at a high temperature.
- Testing, sorting and packaging. The cells, once manufactured, are tested on the cell tester, and sorted according to their electrical performance and according to their visual appearance. They are then packed for shipment.

### ***Solar Modules***

Solar modules are formed by interconnecting multiple solar cells into desired electrical configurations through welding. The interconnected cells are laid out and laminated in a laminator. Through these processes, the solar modules are weather-sealed, and thus are able to withstand high levels of ultraviolet radiation, moisture, wind and sand. Assembled solar modules are packaged in a protective aluminum frame prior to testing.

The following diagram illustrates the solar module manufacturing process:



## Manufacturing Capacity and Manufacturing Facilities

### *Solar Cells*

Since our inception in August 2004, we have significantly expanded our manufacturing capacity to capture a larger portion of the market opportunity for our solar cells. In June 2005, we completed construction on a green-field site and started trial production of our first manufacturing line with a production capacity of 32 MW per year, assuming the use of 156-millimeter monocrystalline silicon wafers. We sold 4.4 MW of solar cells in 2005.

We completed our second to sixth solar cell manufacturing lines and started generating revenues from these lines in 2006.

Our fifth line, which achieved full scale manufacturing capacity in November 2006, commenced commercial mass production of selective emitter cells using monocrystalline silicon wafers in the fourth quarter of 2007. In 2008, we installed four new solar cell lines for the production of selective emitter cells. These four new lines are producing selective emitter cells with performance similar to those from the first line which produces selective emitter solar cells. In 2008, we also converted four of our standard P-type solar cell manufacturing lines into HP solar cell manufacturing lines, three of which are capable of producing HP solar cells using multicrystalline silicon wafers as raw materials. In August 2009, we converted another standard P-type solar cell manufacturing line into HP solar cell manufacturing lines. In 2010, we installed three new solar cell lines. These three lines achieved full scale manufacturing capacity in December 2010 and are producing solar cells with performance similar to those from our previous solar cell lines.

As of December 31, 2011, we had 13 solar cell manufacturing lines. Eight of them are capable of producing both selective emitter solar cells and HP solar cells, five of them are only capable of producing HP solar cells, with an aggregate annual production capacity of 404 MW, assuming the use of 156-millimeter monocrystalline silicon wafers. We have commercially produced our QSAR™ solar cells and PSAR™ solar cells on two of our manufacturing lines in 2011 and 2012, respectively. Our actual output of solar cells depends on the size of the silicon wafers that we use; historically we have used a mix of monocrystalline and multicrystalline silicon wafers, each in sizes of 125 millimeters or 156 millimeters.

The table below sets forth a summary of our manufacturing lines for solar cells as of December 31, 2011:

Solar Cell Manufacturing Line	Time of Achieving Full-scale Manufacturing Capacity	Annualized Manufacturing Capacity <sup>(1)</sup> (in MW)
Line 1	August 2005 <sup>(3)</sup>	32
Line 2	May 2006 <sup>(3)</sup>	32
Line 3	June 2006 <sup>(3)</sup>	32
Line 4	November 2006 <sup>(3)</sup>	32
Line 5	November 2006 <sup>(2) (3)</sup>	32
Line 6	December 2006 <sup>(3)</sup>	32
Line 7	December 2008 <sup>(2) (3)</sup>	32
Line 8	December 2008 <sup>(2) (3)</sup>	32
Line 9	December 2008 <sup>(2) (3)</sup>	32
Line 10	December 2008 <sup>(2) (3)</sup>	32

<b>Solar Cell Manufacturing Line</b>	<b>Time of Achieving Full-scale Manufacturing Capacity</b>	<b>Annualized Manufacturing Capacity <sup>(1)</sup> (in MW)</b>
Line 11	December 2010 <sup>(2)(3)</sup>	28
Line 12	December 2010 <sup>(2)(3)</sup>	28
Line 13	December 2010 <sup>(2)(3)</sup>	28
<b>Total</b>		<b>404</b>

(1) Calculated by assuming the use of 156-millimeter monocrystalline silicon wafers.

(2) Capable of producing selective emitter solar cells.

(3) Capable of producing HP solar cells.

We plan to increase the above manufacturing capacities by adding new manufacturing lines in response to growing demand for our solar power products. In June 2011, we invested in a new solar cell project in Yangzhou, Jiangsu Province, China, with a target manufacturing capacity of 1 GW of solar cells. We expect the construction to begin in the first half of 2012.

### ***Solar Modules***

As of December 31, 2011, we had an aggregate annual module production capacity of 915 MW. Our solar module manufacturing facilities are located in Nanjing, Jiangsu Province, China and Songjiang, Shanghai, China. Our actual output of solar modules depends on the type of the solar cells that we use; historically we have used a mix of monocrystalline solar cells and multicrystalline solar cells in the sizes of 125×125 mm and 156 × 156 mm. With our expansion into downstream solar module business, substantially all of solar cells produced by us have been supplied to SST and NRE for our module manufacturing. In addition, as our current solar cell production capacity does not match our solar module production capacity, we will also purchase solar cells from outside solar cell suppliers in 2012. We have commercially produced our QSAR™ solar modules and PSAR™ solar modules in 2011 and 2012, respectively, and are in the process of obtaining major product certifications for our bi-facial solar power products.

### **Raw Materials**

Silicon wafers are the most important raw materials for producing solar cells and solar module products, with monocrystalline and multicrystalline silicon wafers as the most commonly used materials. We can produce solar cells with either of these types of silicon wafers, and this dual capability provides us with flexibility in raw material procurement.

We seek to procure silicon wafers from various suppliers, most of which are manufacturers located in China. Historically, we procured polysilicon from various suppliers, and outsourced the production of silicon wafers from these polysilicon raw materials under toll manufacturing arrangements with third parties. We also sold polysilicon raw materials to wafer manufacturers and purchased silicon wafers from them under buy-and-sell arrangements in order to maintain the quantity and quality of silicon wafer supplies. We did not enter into these types of buy-and-sell arrangements in 2011 because of decreases in polysilicon prices and the sufficient supply of polysilicon raw materials in the market which meet our quality requirements.

Our manufacturing process also involves metallic paste, chemicals and other materials. We secure these raw materials from multiple vendors who have demonstrated good quality control and reliability.

In 2011, our principal suppliers of raw materials and solar cells included CEEG (Nanjing) Semiconductor Co., Ltd., GCL-Poly Energy Holdings Limited, or GCL-Poly, Heraeus Materials Technology Shanghai Ltd., Shunfeng Photovoltaic International Limited, and Zhejiang Fortune Photovoltaic Co., Ltd. Our top five suppliers supplied approximately 33.1% of silicon wafers and other supplies that we procured in 2011. Due to the industry-wide shortage of silicon raw materials experienced prior to 2008, we purchased silicon raw materials using short-term and long-term contracts from a limited number of international and domestic suppliers. Some agreements provide for firm purchase commitments and fixed pricing or pricing adjustable within a relatively small range. From the fourth quarter of 2008 to mid-2009, the price of silicon raw materials decreased rapidly due to the excess supply of silicon raw materials resulting from a slowed global solar power market growth. In light of such excess supply, we have sought to re-negotiate with our long-term supply partner in regard to certain long term supply contract signed in 2008. In 2009 and 2010, almost all of our purchases of silicon raw materials were made under short-term contracts. In October 2010, we entered into a three-year contract with Green Energy Technology Inc., Ltd. for supplies of solar wafers, which allows to adjust the price on a monthly basis. In February 2011, in order to secure stable supply of silicon wafers while maintaining the ability to keep the price at the market level, we entered into a six-year agreement with Suzhou GCL Photovoltaic Technology Co., Ltd. and its related parties, all of which are subsidiaries of GCL-Poly. Under such six-year framework long-term silicon wafer supply agreement, GCL-Poly will supply to us wafers sufficient to produce not less than half of our manufacturing capacities over six years from January 2011 to December 2016, and we have agreed to procure a certain amount of our total silicon wafer requirement from GCL-Poly each year during the term of the agreement. Under this agreement, the prices of the wafers were initially predetermined subject to periodic adjustments. Due to the volatility of silicon wafer prices, we have negotiated actual monthly and annually wafer purchase amounts and prices from time to time. We expect to continue to do so in the future. Given the current wafer price environment, we also seek to exert greater control over incoming wafer quality while establishing stable and long-term relationships with high quality suppliers. CEEG (Nanjing) Semiconductor Co., Ltd., a related party of our company, has agreed to supply to us silicon wafers from October 2011 to December 2013 and the price will be renegotiated if the market price is lower than the originally agreed price. These long-term contracts also require us to make an advance payment of a certain negotiated amount.

### **Quality Assurance and Customer Support and Service**

Our quality control consists of three components: incoming inspection through which we ensure the quality of the raw materials that we source from our suppliers, in-process quality control of our manufacturing processes, and output quality control of finished products through inspection and testing. We have received the ISO 9001:2008 certification for our quality assurance programs, which we believe demonstrates our technological capabilities and instills customer confidence. We strictly adhere to the standards enacted by international authoritative institutions in our operation. In addition, we also ensure that the performance of our products is adherent to specified standards when testing the conversion efficiency of our products.

A team within our sales group works closely with our quality assurance group to provide customer support and service. We emphasize gathering customer feedback for our products and timely addressing customer concerns. Our customer support and service team also provides our customers with training and consultation with respect to the application of our products.

### **Customers and Markets**

Before our acquisition of SST and NRE on November 1, 2010, we sold our solar cells primarily to module manufacturers, who assemble our cells into solar modules and solar power systems for use in various markets, particularly the European market. Historically, we also outsourced to third parties the manufacturing of solar modules from our solar cells or purchase solar modules from third parties for sale of such solar modules to our customers. Since the fourth quarter of 2010, substantially all of our solar cells have been used for our module production. The amount of solar cells manufactured by us account for approximately 69% of the supplies we used for our module business in 2011. Sales generated from solar cells and solar modules accounted for 1.0% and 98.6%, respectively, of our net revenues in 2011. We expect to lower our cost and achieve higher profit by continuing supplying substantially all of our solar cells to our module manufacturing in the future.

Historically, we made a majority of our sales to customers located in China. In 2011, in connection with our overseas marketing efforts and commercial manufacturing and sales of solar modules, we substantially increased the portion of our products sold to customers outside China. For the years ended December 31, 2009, 2010 and 2011, approximately 35.0%, 36.2% and 93.3% of our total net revenues was derived from customers outside China, respectively. For the year ended December 31, 2011, approximately 23.1% of our net revenues was derived from sales of solar power products to our top five customers, including Renewable Energy Import & Export Ltd., Star Plus Global Limited, Akuo Solar Sas, Malalbergo S.r.l., and Enfinity Management BVBA.

The following table sets forth by region our net revenues derived from sales of our products for the periods indicated.

	Year Ended December 31,					
	2009		2010		2011	
	(in thousands, except percentages)					
Europe:						
— Italy	\$ 7,557	2.7%	\$ 63,467	12.3%	\$ 170,681	30.1%
— France	-	-	8,745	1.7	58,439	10.3
— Germany	67,120	23.5	28,201	5.5	57,314	10.1
— Belgium	-	-	11,851	2.3	46,114	8.2
— Czech Republic and Slovakia	-	-	3,838	0.7	28,260	5.0
— Spain	2,743	1.0	19,171	3.7	4,432	0.8
— Others	1,783	0.6	12,488	2.4	42,376	7.5
Europe Total	79,203	27.8	147,761	28.6	407,616	72.0
India	1,657	0.6	—	—	49,415	8.7
PRC	185,177	65.0	330,378	63.8	38,087	6.7
Australia	11,947	4.2	7,925	1.5	32,599	5.8
America	2,568	0.9	6,533	1.3	3,992	0.7
South Korea	409	0.1	8,208	1.6	7	0.0
Others	3,904	1.4	16,414	3.2	34,576	6.1
Total net revenues	\$ 284,865	100%	\$ 517,219	100%	\$ 566,292	100%

In order to continue growing our sales and to reduce our reliance on any particular market segment, we intend to broaden our geographic presence and customer base. We plan to further expand into several overseas solar power markets, including European countries and those countries and regions with growing demand or market potential for solar power products, such as United States, India, Australia, Japan, Thailand, China and other countries and regions as we expand into downstream solar power business.

We sell our products primarily under sales contracts, purchase orders and buy-and-sell arrangements, as follows:

- Sales contracts and purchase orders. Historically, we entered into sales contracts of various terms with our customers and were obligated to deliver solar power products according to a pre-agreed price and schedule during the term of the contract. Given the volatility in average selling prices of silicon raw materials and solar power products in recent periods, a substantial portion of our contracts now provide for re-negotiation of price terms based on regular pricing reviews every three or six months or provide for adjustment of pricing terms when the change in exchange rate reaches certain benchmarks. We typically require our customers to pay a certain percentage of the purchase price as advance payment within a short period after signing the sales contracts. The percentage of advance payments varies depending on the credit status of our customers, our relationship with the customers, market demand and the terms of a particular contract. We may grant our large customers credit terms, usually within 60-90 days, according to our current credit policy. With respect to the other customers, we typically request full payment before or upon shipment. We also sell our solar power products via purchase orders placed by our customers. As we expand into downstream solar power business, we continue to use the combination of sales contracts and purchase orders to directly sell solar modules to end customers.
- Buy-and-sell arrangements. In order to fill potential shortfalls in production capability and secure the quality of solar cells and solar modules, we obtain solar cells and solar modules from our customers, and were obligated to sell solar wafers or solar cells to them in return under buy-and-sell arrangements. The payment we make for solar cells and solar modules and the payment our customers make for the wafers or solar cells are either settled separately or sometimes offset against each other.

Historically, we also processed silicon wafers provided by our customers into solar cells or processed solar cells provided by our customers into solar modules under OEM arrangements, and we charged processing fees from these customers.

From 2008, particularly in the fourth quarter of 2008, the first quarter of 2009 and throughout 2011, partly due to the impact of global financial market disruption and economic slowdown, some of our customers cancelled or delayed orders for our products. Purchases of solar power products tend to decrease during the winter months because of adverse weather conditions in certain regions, which complicate the installation of solar power systems. Historically, our results of operations have been affected by such seasonality of industry-wide demand for solar power products.

## **Sales and Marketing**


We currently market and sell our solar power products worldwide mainly through our direct sales force. We also have sales force in Germany to expand our overseas market. Our marketing programs include industrial conferences, trade fairs, advertising and public relation events, and seminars to solicit customers. Our sales and marketing groups work closely with our research and development and manufacturing groups to coordinate our product development activities, product launches and ongoing demand and supply planning. We are building a global sales network and have established regional sale offices, in Shanghai, China, Hong Kong, Munich, Germany, California, U.S.A and Luxembourg. We may establish more subsidiaries or regional offices in India, Japan, Italy and Germany in the future to further expand our sales network. In addition, we also sell some of our solar power products through distributors. In 2011, 33.4% of our net revenues generated from module sales was derived from sales made through distributors. We expect this percentage to increase in the future as such distributors have better sources and relations with end users of our solar modules.



Historically, the identity of our customers has changed substantially from year to year. We aim to further develop long-term relationships with key customers who are market leaders or strong niche players in their respective industrial or geographic segments. We believe that these customers will provide consistent revenue streams to minimize business volatility, and we target to achieve a substantial portion of our total net revenues from sales to strategic customers. To further diversify our customer base, which historically consisted primarily of module manufacturers and system integrators purchasing solar cells as we historically focused on solar cell business, we have increased our sales to system integrators, solar power project developers and solar power product distributors in connection with our expansion into downstream solar power business.

## **Intellectual Property**

As of December 31, 2011, we have 41 issued patents and 47 patent applications pending in China. Our issued patents and patent applications relate to technology of production of and improvement to our solar power products and their manufacturing process. We intend to continue to assess appropriate opportunities for patent protection of those aspects of our technology that we believe provide significant competitive advantage to us.

We also rely on a combination of trade secrets and employee contractual protections to establish and protect our proprietary rights. We believe that many elements of our solar power products and manufacturing processes involve proprietary know-how, technology or data that are not covered by patents or patent applications, including technical processes, equipment designs, algorithms and procedures. We have taken security measures to protect these elements. All of our research and development personnel have entered into confidentiality and proprietary information agreements with us. These agreements address intellectual property protection issues and require our employees to assign to us all of their inventions, designs and technologies that they develop primarily utilizing our resources or when performing their duties during their employment.

We are the registered owner of the trademarks “NPV”, “CSUN” and “SUNERGY” and one logo  in China. Further, CEEG and Sunergy Nanjing entered into two trademark license agreements effective as of February 9, 2006 and June 7, 2006, respectively, pursuant to which CEEG granted to Sunergy Nanjing the rights to use the trademarks of “CEEG” and its Chinese characters in Sunergy Nanjing’s ordinary business for ten years. In addition, each of SST and NRE entered into trademark license agreements with CEEG on September 1, 2007, pursuant to which these two companies were granted the rights to use the trademarks of “CEEG” and another logo with a ten-year period. We have registered the trademark of “CSUN” in Hong Kong, European Union, the United States, Japan, Australia and Mexico.

We also have registered the trademark of “SUNERGY” in France, Spain and Turkey, one logo  in European Union, and both the trademark of “SUNERGY” and such one logo  in Hong Kong, U.S.A., Japan and Korea. We are also filing trademark registration applications for the logos “QSAR™” and “PSAR™” in China, European Union, India, United States and Australia.

## Competition

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

- manufacturing efficiency;
- conversion efficiency and performance;
- price;
- strength of supplier relationships; and
- reputation.

We used to compete with specialized solar power manufacturers such as JA Solar Holdings Co., Ltd., Motech Industries Inc., Q-Cells AG and Solarfun Power Holdings Co., Ltd. when we focused on solar cell business. As we have expanded into downstream solar module business since the fourth quarter of 2010, our current competitors include crystalline based solar cell and module manufacturers such as Sunpower Corp, Suntech Power Holdings Co., Ltd., Trina Solar Ltd., Yingli Green Energy Holding Co., Ltd., Canadian Solar Inc., Hanwha SolarOne Ltd., Jinko Solar Holding Co., Ltd, and Sharp Corporation,. Some of our competitors have also become vertically integrated, from polysilicon, wafer and module manufacturing to solar power system integration, such as Yingli Green Energy Holding Co., Ltd.

Many of our competitors may be developing or currently producing products based on alternative solar power technologies, such as Panda cell of Yingli Green Energy Holding Co., Ltd. and Maple cell of JA Solar Holdings Co., Ltd., which may ultimately have costs similar to, or lower than, our projected costs. We expect that we will also need to compete with new entrants to the solar power market. In addition, the entire solar power industry also faces competition from conventional and non-solar renewable energy technologies.

Many of our existing and potential competitors have substantially greater financial, technical, manufacturing and other resources than we do. Our competitors' greater size in some cases provides them with a competitive advantage with respect to manufacturing costs due to their economies of scale and their ability to purchase raw materials at lower prices. Many of our competitors also have more established distribution networks and larger customer bases. As a result, they may be able to devote greater resources to the research, development, promotion and sale of their products or respond more quickly to evolving industry standards and changes in market conditions than we can.

## REGULATION

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

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

In February 2005, China enacted its Renewable Energy Law, which became effective on January 1, 2006 and was amended on December 26, 2009. The Renewable Energy Law sets forth policies to encourage the development and use of solar energy and other non-fossil energy. The renewable energy law sets out the national policy to encourage and support the use of solar and other renewable energy and the use of on-grid generation. It also authorizes the relevant pricing authorities to set favorable prices for the purchase of electricity generated by solar and other renewable power generation systems.



The law also sets out the national policy to encourage the installation and use of solar energy water-heating systems, solar energy heating and cooling systems, solar photovoltaic systems and other solar energy utilization systems. It also provides the general principles regarding financial incentives for the development of renewable energy projects. The projects, as listed in the renewable energy industry development guidance catalogue, may obtain preferential loans from financial institutions and can enjoy tax preferences. The State Council is authorized to stipulate the specific tax preferential treatments. However, so far, no rule has been issued by the State Council pertaining to this matter. In January 2006, China's National Development and Reform Commission promulgated two implementation directives of the Renewable Energy Law. These directives set out specific measures in setting prices for electricity generated by solar and other renewable power generation systems and in sharing additional expenses occurred. The directives further allocate the administrative and supervisory authorities among different government agencies at the national and provincial levels and stipulate responsibilities of electricity grid companies and power generation companies with respect to the implementation of the Renewable Energy Law. In July 2007, China's National Development and Reform Commission further promulgated an implementation directive of the Renewable Energy Law. The directive stipulates the responsibility of electricity grid companies to buy all electricity generated by renewable energy power generation systems.

PRC Ministry of Construction also issued directives in September 2006 and February 2007, which seek to expand the use of solar energy in residential and commercial buildings and encourages the increased application of solar energy in different townships.

In addition, the State Council promulgated a directive in July 2005 which sets out specific measures to conserve energy resources.

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

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

On July 16, 2009, PRC Ministry of Finance, Ministry of Science and Technology and National Energy Administration jointly issued the Notice on Implementation of Demonstration Project of Golden Sun to support the promotion of photovoltaic generation in China. Under this notice, the photovoltaic projects which meet certain requirements will be provided with subsidies. On November 9, 2009, Ministry of Finance, Ministry of Science and Technology and National Energy Administration further jointly issued the Notice on Successful Implementation of Demonstration Project of Golden Sun to emphasize the requirements for subsidizing the photovoltaic projects. On September 21, 2010, PRC Ministry of Finance, Ministry of Science, Ministry of Housing and Urban-Rural Development and Technology and National Energy Administration jointly issued the Notice on Enhancing the Administration of Construction of the Demonstration Project of Golden Sun and the Demonstration Project of Solar Photovoltaic Building Applications to further regulate the standards for the projects and subsidies. On November 19, 2010, PRC Ministry of Finance, Ministry of Science and National Energy Administration jointly issued the Notice on Enhancing the Demonstration Project of Golden Sun to further regulate the application for subsidies.

### ***Environmental Regulations***

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

We are in compliance with present environmental protection requirements in all material aspects and have all necessary environmental permits to conduct our business, except as disclosed herein, see “Item 3- Key Information — D. Risk Factors — Risks Related to Our Company and Our Industry — Noncompliance with present or future construction and environmental regulations may result in potentially significant monetary damages and fines”. Our operations are subject to regulation and periodic monitoring by local environmental protection authorities.

### ***Restriction on Foreign Ownership***

The principal regulation governing foreign ownership of solar power businesses in the PRC is the Foreign Investment Industrial Guidance Catalogue, effective as of January 30, 2012, or the Catalogue. The Catalogue classifies the various industries into four categories: encouraged, permitted, restricted and prohibited. As confirmed by the government authorities, Sunergy Nanjing, our operating subsidiary, is engaged in an encouraged industry. Sunergy Nanjing is permitted under the PRC laws to be wholly owned by a foreign company. Sunergy Nanjing is, accordingly, also entitled to certain preferential treatments granted by the PRC government authorities, such as exemption from tariffs on equipment imported for its own use.

### ***Tax***

PRC enterprise income tax is calculated primarily on the basis of taxable income determined under PRC enterprise income tax laws and regulations. In accordance with the Income Tax Law of China for Enterprises with Foreign Investment and Foreign Enterprises promulgated as of April 9, 1991 and effective on July 1, 1991, or the Income Tax Law, and its implementing rules, or the Income Tax Law Implementation Rules, foreign-invested enterprises incorporated in the PRC were generally subject to an enterprise income tax rate of 33% (30% of state income tax plus 3% of local income tax). The Income Tax Law and the Income Tax Law Implementation Rules provided certain preferential tax treatments to foreign-invested enterprises established in certain areas in the PRC.

Sunergy Nanjing, a foreign-invested enterprise engaged in a manufacturing business and established in Nanjing, which is within a coastal economic zone, was entitled to a preferential enterprise income tax rate of 24%. As a wholly foreign owned enterprise engaged in a manufacturing business, Sunergy Nanjing was also entitled to a two-year exemption of the enterprise income tax from its first profitable year, which was 2006, and to a 50% reduction of its applicable income tax rate for the succeeding three years,. To enjoy the above preferential treatment, the operation duration of Sunergy Nanjing shall be no less than 10 years.

On March 16, 2007, the National People’s Congress of China promulgated the New EIT Law. On December 6, 2007, the State Council promulgated the New EIT Law Implementation Rules. Both the New EIT Law and the New EIT Law Implementation Rules became effective on January 1, 2008. Under the New EIT Law and the New EIT Law Implementation Rules, domestically-owned enterprises and foreign-invested enterprises are all subject to a uniform tax rate of 25%. The New EIT Law also provides transitional measures for enterprises established prior to the promulgation of the New EIT Law and eligible for lower tax rate or preferential treatment in accordance with the then-prevailing tax laws and administrative regulations. On December 26, 2007, State Council of China promulgated the Circular. Under the New EIT Law, the New EIT Law Implementation Rules and the Circular, enterprises which were established and already enjoyed preferential enterprise income tax treatments before March 16, 2007 will continue to enjoy them (i) in the case of preferential tax rates, for a period of five years from January 1, 2008, and the enterprises which previously enjoyed the tax rate of 24% shall be subject to the tax rate of 25% in 2008, and (ii) in the case of preferential tax exemption or reduction for a specified term, until the expiration of such term or 2012, whichever is earlier. However, The Circular also prescribes that if the above transitional relief of enterprise income tax overlaps with the preferential treatments provided by the New EIT Law, an enterprise may choose the more favorable treatment, but cannot enjoy both. The treatment cannot be changed once it is chosen.

On April 14, 2008, the Ministry of Finance, the Ministry of Science and Technology and the State Administration of Taxation jointly promulgated the Recognition Measures. Pursuant to the New EIT Law, the New EIT Law Implementation Rules and the Recognition Measures, HNTE is eligible for a preferential tax rate of 15%.

Pursuant to Article 10 of the *Administrative Measures for Certification of New and High Technology Enterprises* promulgated as of April 14, 2008 and effective on January 1, 2008, the certification of HNTE shall satisfy all the following conditions:

- The enterprises registered in China shall have independent intellectual property rights of key technologies of their main products (services) gained through independent research and development, transfer, donation or acquisition in the recent three years, or through exclusive permission for over five years;
- Their products (services) are included in the scope as provided in the Hi-tech Fields with Key State Support;
- The technicians holding educational credentials of junior college or above shall account for more than 30% of their total number of the employees in the year; the personnel engaged in research and development shall account for more than 10% of the total number of the employees in the year;
- The enterprise shall have been engaged in continuous research and development with a view to obtain new knowledge of science and technology (excluding humanities and social science), to use new knowledge of science and technology in a creative way or to achieve fundamental innovation of its products (services), and the ratio of the total expenses earmarked for research and development to its sales income in the latest three fiscal years shall, specifically, be no lower than 3% for an enterprise whose latest annual sales income is over RMB 200 million;
- Of the expenses earmarked for research and development, the total expenses for research and development accrued in the territory of China shall account for no less than 60% of the total expenses for research and development. Where the period of registration and establishment of the enterprise is less than 3 years, the said ratio shall be accumulated according to its actual operation period;
- The income from high and new technology products shall account for more than 60% of the total income of the enterprise in the year;
- The enterprise's capacity of research and development and organization, capacity of transformation of scientific achievements, amount of independent intellectual property rights, index of growth of sales and total assets shall be in conformity with requirements of Directions on Certification and Management of New and High Technology Enterprises.

On October 21, 2008, Sunergy Nanjing obtained a HNTE certificate with a three-year validity term from 2008 to 2010, and renewed the HNTE certificate with another three-year validity term from 2011 to 2013. Therefore, Sunergy Nanjing is eligible for a preferential income tax rate of 15% during the above period. Based on the Circular, our management chooses to enjoy the transitional relief, i.e. 12.5% from 2008 to 2010, for Sunergy Nanjing. In 2011 and 2012, Sunergy Nanjing is subject to a preferential income tax rate of 15%.

SST was acquired in November 2010. It obtained the HNTE certificate in 2009, with a valid period between 2009 and 2011, and thus was eligible for a 15% preferential tax rate during this period. SST's HNTE certificate expired in 2011 and SST currently is preparing for the application of the renewal of the HNTE certificate.

NRE was acquired in November 2010 and its applicable enterprise income tax rate is 25%.

China Sunergy (Shanghai) Co., Ltd., or Sunergy Shanghai, was established in November 2007 and its applicable PRC enterprise income tax rate is 25%.

China Sunergy (Yangzhou) Co., Ltd., or Sunergy Yangzhou, was established in September 2011 and its applicable enterprise income tax rate is 25%.

Pursuant to the Provisional Regulation of China on Value Added Tax and its provisional rules, all entities and individuals that are engaged in the sale of goods, the provision of processing, repairs and replacement services and the importation of goods into China are generally required to pay value added tax, or VAT, at a rate of 17.0% of the gross sales proceeds received, less any deductible VAT already paid or borne by the taxpayer. Further, when exporting goods, the exporter is entitled to a portion or all of the refund of VAT that it has already paid or borne. Accordingly, our PRC subsidiaries are subject to the 17.0% VAT with respect to their sales of solar power products in China, while export sales of our solar power products are exempt from such VAT.

## ***Foreign Currency Exchange***

The principal regulations governing foreign currency exchange in China are the Foreign Exchange Administration Regulations (1996), as amended in 1997 and 2008 respectively. Under these regulations, the Renminbi is freely convertible for current account items, including the distribution of dividends, interest payments, trade and service-related foreign exchange transactions. However, for capital account items, such as direct investment, loan, repatriation of investment and investment in securities outside China, the conversion of foreign currencies into Renminbi is subject to the prior approval of SAFE.

Pursuant to the Administration Rules of the Settlement, Sale and Payment of Foreign Exchange (1996), enterprises may only buy, sell or remit foreign currencies at banks that are authorized to conduct foreign exchange business after the enterprise provides valid commercial documents and relevant supporting documents and, in the case of certain capital account transactions, after obtaining approval from SAFE or its competent local branches. Capital investments by enterprises outside of China are also subject to limitations, which include approvals by the Ministry of Commerce, SAFE and the National Development and Reform Commission, or their respective competent local branches.

Pursuant to the Notice of the General Affairs Department of the State Administration of Foreign Exchange on the Relevant Operating Issues concerning the Improvement of the Administration of Payment and Settlement of Foreign Currency Capital of Foreign-funded Enterprises (2008), the foreign currency capital of foreign invested enterprises, after being converted to Renminbi, can only be used for doing business within the business scope approved by relevant governmental authorities, and shall not be used for domestic equity investment unless otherwise provided for.

The business operations of our PRC subsidiaries, which are subject to the foreign currency exchange regulations, have all been in compliance with these regulations in all material aspects.

## ***Dividend Distribution***

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

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

## ***Share Incentive Plan***

On March 28, 2007, SAFE promulgated the Operating Procedures on Administration of Foreign Exchange for PRC Individuals' Participation in Employee Share Ownership Plans and Employee Share Option Plans of Overseas Listed Companies, or the Share Option Rules. On February 15, 2012, the Stock Option Rules were amended and substituted by the Notice on Issues Relating to Domestic Individuals Participating in Share Incentive Plan of Overseas Publicly-Listed Company, or the New Stock Option Rules. The purpose of the Stock Option Rules and the New Stock Option Rules are to regulate the foreign exchange administration of PRC domestic individuals who participate in employee stock ownership plans and stock option plans of overseas listed companies. The New Stock Option Rules aim to clarify and simplify the foreign exchange procedures involved in the implementation of share incentive plans. Under the New Share Option Rules, PRC citizens who are granted shares or share options by an overseas-listed company according to its employee share option or share incentive plan are required, through a qualified PRC agent, to register with SAFE and complete certain other procedures related to the share option or other share incentive plan. The PRC agent shall apply to the local foreign exchange bureau to make the foreign exchange registration for the participants in the share incentive plan. If the participants need to use RMB to participate in the share incentive plan, the PRC agent shall open a special account to hold the funds required in connection with the stock purchase or option exercise, any returned principal or profits upon sales of stock, any dividends issued upon the stock and any other income or expenditures approved by SAFE. Such participants must also retain an overseas entrusted institution to handle matters in connection with their exercise or sale of stock options. The General Administration of Taxation has also issued certain circulars concerning employee share options. Pursuant to these circulars, our employees working in China who exercise their share options will be subject to PRC individual income tax. Our PRC subsidiaries have obligations to file documents related to such employee share options with relevant tax authorities and withhold individual income taxes of those employees who exercise their share options. Failure to comply with such rules may subject such overseas-listed company and the participants of share incentive plan who are PRC citizens to fines and legal sanctions and prevent the overseas-listed company from further granting options under its share incentive plan to its employees.

## ***Intellectual Property Rights***

The Patent Law (1984), as amended by the Decision on Amending the Patent Law (2000) and the Decision on Amending the Patent Law (2008), and the Implementing Rules of the Patent Law (2001), as amended by the Decision on Amending the Implementing Rules of the Patent Law (2002) and the Decision on Amending the Implementing Rules of the Patent Law (2010) provide for the application and protection of patents. An invention patent shall be valid for twenty years and an external design patent and a utility model patent shall be valid for ten years, commencing on their application dates, respectively. Any persons or entities using a patent without the consent of the patent owner, making counterfeits of patented products, or conducting other activities which infringe upon patent rights will be held liable for compensation to the patent owner, fines charged by the administrative authorities and even criminal punishment.

The Trademark Law of the PRC (1983), as amended in 1993 and 2001, respectively, and the Implementing Regulations of the Trademark Law (2002) provide for the application, protection and license of trademarks. A registered trademark shall be valid for ten years, commencing on the date of registration and can be renewed by an application made within six months before expiration. The renewed registration shall also be valid for ten years and can be renewed unlimitedly.

## ***Labor and Work Safety***

The laws and regulations governing the labor relations for enterprises and institutions in the PRC include Labor Law of the PRC (1995), or the Labor Law. Contracts must be formed if labor relationships are established between entities and their laborers. The Labor Law sets limits on the maximum number of hours a laborer can work, and entities must establish and continuously develop its system for labor safety and sanitation, strictly abide by national rules and standards on labor safety and sanitation, provide laborers with safety and sanitation conditions and educate laborers on labor safety and sanitation. The government provides additional protection to female staff and workers and juvenile workers.

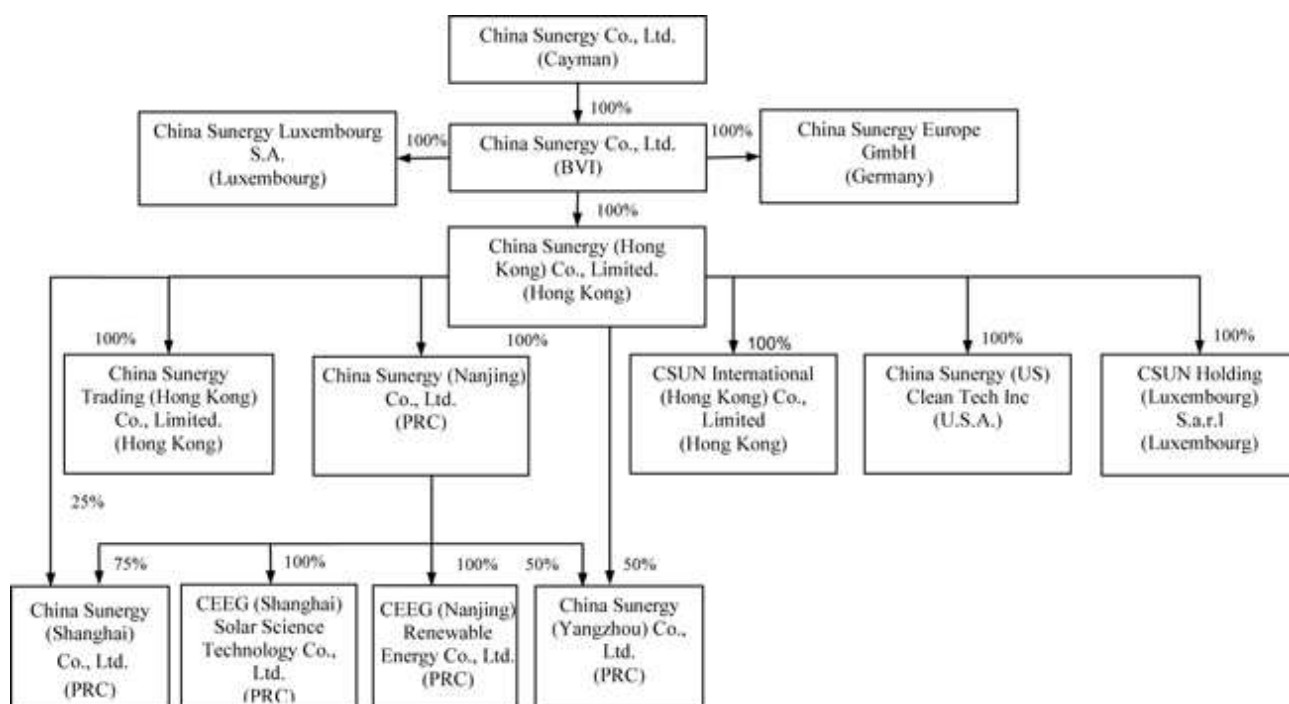
On June 29, 2007, the National People's Congress enacted the Labor Contract Law of the PRC, or the Labor Contract Law, which came into effect as of January 1, 2008. The Labor Contract Law imposes stricter requirements in terms of signing labor contracts, paying remuneration, stipulating probation and penalties and dissolving labor contracts.

The laws and regulations governing the labor relations also include the Work Safety Law of the PRC (2002), the Regulation on Occupational Injury Insurance (2004), as amended in 2011, the Interim Measures Concerning the Maternity Insurance (1995), the Interim Regulations on the Collection and Payment of Social Insurance Premiums (1999) and its interim measures (1999), the Social Security Law (2010) and the Regulation on the Administration of Housing Fund (2002).

Our PRC subsidiaries are subject to the above laws and regulations.

## **C. Organizational Structure**

The following diagram illustrates our company's organizational structure, and the place of formation, ownership interest and affiliation of each of our subsidiaries as of the date hereof.



In November 2007, Sunergy BVI and CEEG jointly incorporated China Sunergy (Shanghai) Co., Ltd., or Sunergy Shanghai., in which we hold a 95% interest, and CEEG a 5% interest. In September 2008, Sunergy BVI transferred its 95% equity interest in Sunergy Shanghai to Sunergy Hong Kong. In September 2008, CEEG transferred its 5% equity interest in Sunergy Shanghai to Sunergy Hong Kong, as a result of which Sunergy Hong Kong became the 100% holding company of Sunergy Shanghai in April 2009. In October 2011, Sunergy Hong Kong transferred its 75% equity interest in Sunergy Shanghai to Sunergy Nanjing, as a result of which Sunergy Hong Kong held a 25% equity interest and Sunergy Nanjing held a 75% equity interest in Sunergy Shanghai.

According to our current plan, Sunergy Shanghai will engage in high-efficiency solar cells production, solar power research and development activities. We expect to begin construction on our Shanghai facility, which includes a research and development center for our solar cell business, in the third quarter of 2012.

In December 2007, Sunergy BVI incorporated Sunergy Hong Kong in Hong Kong. During the same month, Sunergy BVI transferred all its equity interest in Sunergy Nanjing to Sunergy Hong Kong, as a result of which Sunergy Hong Kong became the direct holding company of our principal operating subsidiary, Sunergy Nanjing. In November 2007, Sunergy BVI incorporated China Sunergy Europe GmbH in Munich, Germany.

On November 1, 2010, we completed the acquisition of SST and NRE, both of which were our related parties and were controlled by our chairman Mr. Tingxiu Lu before the acquisitions, from CEEG, an entity controlled by Mr. Tingxiu Lu, and Sundex Holdings Limited, a company not affiliated with us. The total acquisition consideration of these two modules manufacturers are approximately RMB308.0 million (\$48.9 million).

In June 2011, Sunergy Nanjing and Sunergy Hong Kong incorporated Sunergy Yangzhou, in Yangzhou, Jiangsu Province, China, for the purpose of manufacturing, research and development of solar power products. Sunergy Nanjing holds a 50% interest and Sunergy Hong Kong holds a 50% interest of China Yangzhou, respectively.

In April 2011, Sunergy Hong Kong incorporated China Sunergy (US) Clean Tech Inc in California, U.S.A., for the purpose of sales and marketing of our products. In May 2011, Sunergy Hong Kong incorporated China Sunergy Trading (Hong Kong) Co., Limited in Hong Kong, for the purpose of sales and marketing of our products. In August 2011, Sunergy BVI incorporated China Sunergy Luxembourg S.A. in Luxembourg through acquisition of a shell company in order to explore potential investments opportunities in solar power projects throughout Europe, and we began entering into arrangements to develop commercial solar power systems for these solar power projects.

In March 2012, Sunergy Hong Kong incorporated CSUN International (Hong Kong) Co., Limited in Hong Kong for the purpose of selling and marketing our solar power products.

In April 2012, Sunergy Hong Kong incorporated CSUN Holding (Luxembourg) S.a.r.l. in Luxembourg for the purpose of selling and marketing our solar power products in respective regions.

**D. Property, Plant and Equipment**

We are headquartered at No. 123 Focheng West Road Jiangning Economic & Technical Development Zone Nanjing, Jiangsu, China. As of December 31, 2011, we conducted our research, development and manufacturing of solar cell products at our facilities in Nanjing, where we occupied a site area of approximately 79,800 square meters. These facilities include office premises with a total floor space of approximately 9,600 square meters and manufacturing facilities with a total floor space of approximately 21,500 square meters that currently accommodates 13 solar cell manufacturing lines of a total production capacity of 404 MW, and a new research and development facility with a total floor space of approximately 25,000 square meter to be completed by the end of 2012. Additionally, we expect to construct another facility with a total floor space of approximately 22,970 square meters that will accommodate three more solar cell manufacturing lines of a total production capacity of approximately 200MW and one research and development line by the end of 2013. We have also obtained land use rights to a plot of land in Shanghai with a site area of approximately 96,500 square meters in 2009, and expect to begin the construction of a research and development center for our solar cell business in the third quarter of 2012.

We conducted our research, development and manufacturing of solar module products at the facilities of SST in Shanghai and the facilities of NRE in Nanjing. As of December 31, 2011, SST occupied a site area of approximately 19,150 square meters, which includes office premises with a total floor space of approximately 1,060 square meters and manufacturing facilities with a total floor space of approximately 17,650 square meters that currently accommodates 555 MW module production capacity. SST also occupies a site area of 66,665 square meters in Shanghai, where the construction of two new module manufacturing facilities is undergoing, which includes office premises with a total floor space of approximately 8,784 square meters and manufacturing facilities with a total floor space of approximately 30,152 square meter which will accommodate 600 MW module production capacity by the first half of 2012. As of December 31, 2011, NRE occupied a site area of approximately 29,300 square meters, which includes dining premises with a total floor space of approximately 2,000 square meters, warehousing premises with a total floor space of approximately 4,300 square meters and manufacturing facilities with a total floor space of approximately 23,000 square meter that currently accommodates the office premises of 800 square meter and 360 MW module production capacity.

We have obtained land use rights from Yizheng land and resources bureau to a plot of land in Yangzhou, Jiangsu Province with a site area of approximately 345,591 square meters in December 2011, for a consideration of RMB76.7 million (\$12.2 million). We expect to start constructing new solar cell manufacturing lines in Yangzhou in the first half of 2012.

We maintain property insurance policies with reputable insurance companies for covering our equipment, facilities, buildings and their improvements, and office furniture. These insurance policies cover losses due to fire, earthquake, flood and a wide range of other natural disasters. We maintain director and officer liability insurance for our directors and executive officers. We also maintain business interruption insurance. Our insurance products contain various coverage limits and deductibles. We have also purchased product liability insurances for our solar module products since 2011. We have appointed an insurance broker to provide us with proposals for insurance coverage for our company, and we plan to expand our insurance coverage in 2012.

**ITEM 4A. UNRESOLVED STAFF COMMENTS**

Not Applicable.

**ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS**

The following discussion of our financial condition and results of operations is based upon and should be read in conjunction with our consolidated financial statements and their related notes included in this annual report on Form 20-F. This report contains forward-looking statements. See “Introduction—Forward-Looking. Information.” In evaluating our business, you should carefully consider the information provided under the caption “Risk Factors” in this annual report on Form 20-F. We caution you that our businesses and financial performance are subject to substantial risks and uncertainties.

## A. Operating Results

### **Overview**

We manufacture and sell solar cell and solar module products that convert sunlight into electricity for a variety of uses. Historically, we primarily manufactured and sold solar cells. In the fourth quarter of 2010, as part of our business strategy to achieve more vertical integration, we acquired SST and NRE, two solar module manufacturers, and began engaging in massively manufacturing and selling solar modules. Since then, substantially all of the solar cells we produce have been used for the production of our solar module products. Currently, we sell solar modules as our principal products to system integrators, solar power project developers and solar power product distributors located in various markets around the world, including Italy, France, Germany, India, Belgium, Australia, Czech Republic and Slovakia.

We commenced business operations in August 2004. Our manufacturing capacity and operations have grown significantly since we completed acquisition of two solar module manufacturers in the fourth quarter of 2010. Assuming the use of 156-millimeter monocrystalline silicon wafers, we had an aggregate annual production capacity of solar cells of 320 MW, 404 MW and 404 MW as of December 31, 2009, 2010, and 2011, respectively, and an aggregate annual production capacity of solar modules of nil, 480 MW and 915 MW as of December 31, 2009, 2010, and 2011, respectively.

In 2009, the shipment of our solar power products amounted to 194.0 MW, including 181.5 MW of solar cells sold, 4.2 MW of solar cells processed under OEM arrangements and 8.3 MW of modules sold. In 2010, the shipment of our solar power products amounted to 347.8 MW, including 277.2 MW of solar cells sold, 3.4 MW solar cells and modules processed under OEM arrangements and 67.2 MW of modules sold. In 2011, the shipment of our solar power products amounted to 420.3 MW, including 6.6 MW of solar cells sold, 2.2 MW solar cells and modules processed under OEM arrangements and 411.5 MW of modules sold. We had net revenues of \$284.9 million, \$517.2 million and \$566.3 million in 2009, 2010 and 2011, respectively. We incurred net loss of \$94.3 million in 2011, compared to net loss of \$10.3 million in 2009 and net income of \$51.7 million in 2010.

We operate and manage our business as a single segment.

### **Factors Affecting Our Results of Operations**

#### ***Industry Demand***

Our business and revenue growth depend on the market demand for solar power products. The solar power market grew rapidly in the past several years. During that period, our business and revenue growth were primarily driven by industry demand and our ability to retain existing customers, attract new customers and expand our manufacturing capacity at the same time. According to Solarbuzz, the global solar power market, as measured by annual volume of modules delivered to installation sites, grew at a CAGR of 76.9% from approximately 2.8 gigawatts, or GW, in 2007 to approximately 27.4 GW in 2011. Under the lowest of three different projections, Solarbuzz expects the annual volume of modules delivered to installation sites may further increase to 31.5 GW in 2016, but global solar power industry revenue may decrease from \$93.1 billion in 2011 to \$73.8 billion in 2016 while market demand growth is partially offset by the market price declines. According to a Solarbuzz forecast named “Green World”, the moderate one of three possible scenarios, annual volume of modules delivered to installation sites may further increase to approximately 54.3 GW in 2016, and global solar power industry revenue may increase from \$93.1 billion in 2011 to \$132.9 billion in 2016.

In the fourth quarter of 2008 and the first quarter of 2009, the global solar power industry experienced a precipitous decline in demand due to decreased availability of financing for downstream buyers of solar power products as a result of the global economic crisis. In 2011, increased manufacturing capacity combined with decreased demand caused a decline in the prices of solar power products. The demand for solar power products rebounded significantly in 2010 as a result of, among other things, sustainable government incentives to develop solar power as an alternative energy solution, steady manufacturing cost reduction of solar power products and easy access to financing capital to build solar infrastructures. However, the global solar power industry witnessed another recession in 2011 due to, to a large extent, a combined effect of oversupply of solar power products and steep decrease in governmental subsidies afforded by major European markets. Consequently, the average selling price per watt of our solar modules decreased from \$1.92 in 2010 to \$1.36 in 2011.



Demand for solar power products is also influenced by macroeconomic factors such as the global economic downturn, the supply and prices of other energy products, such as oil, coal and natural gas, as well as government regulations and policies concerning the electric utility industry. A decrease in oil prices, for example, may reduce demand for investment in alternative energy. The global economic downturn, which may affect the availability of financing, may also contribute to decreased sales and shipments of solar power products and the slowdown of the large solar project market segments. Please see “Item 3. Key Information – D. Risk Factors” for discussions of the risks related to industry demand for solar power products.

### ***Government Subsidies and Economic Incentives***

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

However, certain early adopters of solar power incentive policies, such as Germany, Spain, France and Italy announced reductions of incentive programs in 2009, 2010 and 2011. As the solar power industry continues to develop, policy shifts could reduce or eliminate these government economic incentives altogether. For example, according to Solarbuzz, the Italian market was also overhung by the uncertainty over funding conditions. Italian government announced annual reductions to feed-in tariffs in an effort to impede overheating of its solar market in 2010 and May 2011. France’s government became aware of the extent of potential solar power market growth and therefore implemented a number of measures to slow market activity and introduced a new restrictive funding scheme in March 2011. In addition, at the beginning of 2011, the German government reacted to the projections that the market size would once again exceed expectations and decided to accelerate the incentive tariff decline. The German government scheduled a tariff reduction in January 2011, retained an annual basic reduction of 9% at year-end, and further reduced its feed-in-tariffs by over 30% for ground mounted systems and by approximately 20% for rooftop installations from April 1, 2012. In addition, in certain countries, including countries to which we export solar power products, government financial support of solar power products has been, and may continue to be, challenged as being unconstitutional or otherwise unlawful. A significant reduction in the scope or discontinuation of government incentive programs, especially in our target markets, would have a material adverse effect on the demand for our solar power products as well as our results of operations. Demand for and pricing of our solar power products are highly sensitive to government subsidies and economic incentives in our targeted or potential markets. Although the implementation of incentive policies for solar power significantly stimulates demand for solar power products, including our products, reductions or limitations on such policies, as have occurred in Germany, Spain and Italy, may reduce demand for such products or change price expectations, causing manufacturers of solar power products, including us, to reduce prices to adjust to demand at lower price levels.

### ***Availability, Price and Quality of Silicon Raw Materials***

Silicon wafers are the most important raw material from which our solar cells and solar modules are made. To manufacture silicon wafers, polysilicon is melted and processed into crystalline silicon ingots, which are then sliced into wafers. The procurement costs of silicon raw materials have accounted for more than half of our cost of revenues since we began our commercial production of solar cells in August 2005. Fluctuation in the price of polysilicon have in the past impacted our production costs and our cost of revenues and net income. The success of our business and our growth strategy depends heavily on acquiring a supply of silicon wafers and related raw materials at commercially reasonable prices and terms that is consistent with our existing and planned production capacity.

We purchase silicon wafers from various suppliers, most of which are wafer manufacturers located in China. Historically, we also procured polysilicon from various suppliers and outsourced the production of silicon wafers from these polysilicon raw materials under toll manufacturing arrangements with third parties. Toll manufacturing is a type of contract manufacturing frequently used in the solar power industry, in which part of the manufacturing process is outsourced to qualified third parties, or toll manufacturers.

In addition, due to the historical industry-wide shortage of silicon raw materials experienced during the past few years, we purchased silicon raw materials using short-term and long-term contracts from a limited number of international and domestic suppliers. Some agreements provide for firm purchase commitments and fixed pricing or pricing adjustable in a relatively small range. From the fourth quarter of 2008 to mid-2009, the price of silicon raw materials decreased precipitously due to the excess supply of silicon raw materials resulting from a slowed global solar power market growth. See “Item 3. Key Information—D. Risk Factors—Our costs and expenses may increase as a result of entering into fixed price, firm purchase commitment arrangements with our suppliers” for more details. In light of such excess supply, we have sought to re-negotiate with our long-term supply partner in regard to certain long term supply contracts signed in 2008. In October 2010, we entered into a three-year contract with Green Energy Technology Inc., Ltd. for supplies of solar wafers, which allows the price to be adjusted on a monthly basis. In February 2011, in order to secure stable supply of silicon wafers while maintaining ability to keep the price at the market level, we entered into a six-year agreement with Suzhou GCL Photovoltaic Technology Co., Ltd. and its related parties, all of which are subsidiaries of GCL-Poly. Under such six-year framework long-term silicon wafer supply agreement, GCL-Poly has agreed to supply to us wafers sufficient to produce not less than half of our production capacities over six years from January 2011 to December 2016, and we have agreed to procure a certain amount of our total silicon wafer requirement from GCL-Poly each year during the term of the agreement. Under this agreement, the prices of the wafers were initially predetermined subject to periodic adjustments. Due to the volatility of silicon wafer prices, we have negotiated actual monthly and annually wafer purchase amounts and prices from time to time. We expect to continue to do so in the future. CEEG (Nanjing) Semiconductor Co., Ltd., a related party of our company, has agreed to supply to us silicon wafers from October 2011 to December 2013 and the price will be renegotiated if the market price is lower than the originally agreed price. Given the current wafer price environment, we also seek to exert greater control over incoming wafer quality while establishing stable and long-term relationships with high quality suppliers.

Historically, given the state of the industry, suppliers of silicon raw materials typically required customers to make payments in advance of shipment. Our suppliers generally required us to make a prepayment at a certain percentage of the order value prior to shipping. Due to the relative oversupply of polysilicon, prepayment as a percentage of the entire contract has been reducing. In 2011, most of our suppliers granted us credit terms under their contracts with us. However, our purchases of silicon raw materials may continue to require us to make certain working capital commitments. We are required to manage our borrowings to support our raw material purchases.

### ***Manufacturing Capacity***

In order to capture the market opportunity for our solar power products, we have expanded our manufacturing capacity. When the market demand for solar power products exceeded supply, increased capacity had a significant effect on our results of operations, by allowing us to produce and sell more solar power products generating higher revenues, and by lowering certain manufacturing costs resulting from economies of scale. We had an aggregate annual solar cell manufacturing capacity of 404 MW and an aggregate annual module manufacturing capacity of 915 MW as of December 31, 2011. When the global supply of solar power products exceeds the global demand due to excess production capacity, global economic downturn or other reasons, we may not be able to fully utilize our manufacturing capacity due to declined demand for our products. As we incur fixed costs associated with our facilities and equipment whether they are being utilized, operating at less than full utilization will result in expenses without corresponding revenue, which will reduce our operating margins.

### ***Changing Product Mix.***

We expanded into downstream solar power business and began massively manufacturing and selling solar modules in the fourth quarter of 2010. Expansion to downstream solar module production has changed our product mix. Each of solar cell production and solar module production represents a separate stage of the solar power production chain, with each involving, among other things, different production workmanship and processes, costs and selling prices, and marketing and sales strategies. Prior to November 2010, our sales consisted almost entirely of solar cells. Subsequent to the acquisition of SST and NRE, substantially all of the solar cells produced by us have been used in the production of our solar modules. As we began marketing and selling solar module products in the fourth quarter of 2010, our sales of solar module products increased significantly and corresponding sales of solar cells precipitously declined. In 2011, we fulfilled approximately 31% of our solar cell requirements by sourcing high quality solar cells from our external suppliers. We will continue to procure solar cells from our suppliers in order to fill the gap between our solar module manufacturing capacity and our solar cells manufacturing capacity.

Also, among other things, our customer base was changed from primarily module manufacturers and system integrators purchasing solar cells to primarily system integrators, solar power project developers and solar power product distributor. The changed customer base not only allows us more access to end-users including system integrators which play important roles in solar power industry, but also exposes us to more market and credit risks as our module products customers are more sensitive to market fluctuations and availability of financing. We expect that our operating results for future periods will continue to be influenced by our changed product mix.

### ***Pricing of Our Solar Power Products***

Solar cells are priced based on the number of watts of electricity they can generate and on their conversion efficiency. Pricing per watt of solar cells is principally affected by manufacturing costs per watt, comprising of primarily the cost of silicon wafers, the overall market demand for solar cells, and some other factors, such as the exchange rate. Increased economies of scale and process technology advancements in the past resulted in a steady reduction in manufacturing costs and the price per watt of solar cells. The average selling prices of our solar cells was approximately \$1.36, \$1.35 and \$0.84 per watt in 2009, 2010 and 2011, respectively. The slight decline in average selling price our solar cells from 2009 to 2010 due was primarily to decreased price of silicon raw materials combined with increased supply of solar power products. The average selling price of our solar cells continued to significantly decline in 2011 because our sales of solar cells in 2011 were primarily relating to sales of low conversion efficiency solar cells, which are byproducts of our solar cell production. We refer to these solar cells as being off-specification. In 2011 we sold off-specification solar cells at a discount to recover some of the costs we incur in the production process. The market price for off-specification solar cells is typically lower than the cost incurred in their production, which results in negative margin.

Solar modules, which are currently our principal products, are priced based on the market price per watt for solar modules as well as the number of watts of electricity they generate. We price our standard solar modules based on the prevailing market prices at the time we enter into sales contracts with our customers or our customers place their purchase orders with us, taking into account the size of the contract or the purchase order, the strength and history of our relationship with each customer, and our silicon raw materials costs or our costs to purchase solar cells. We began increasing sales of our solar modules upon the acquisition of SST and NRE in November 2010 and the average selling price per watt of our solar modules was \$1.87, \$1.92 and \$1.36 in 2009, 2010 and 2011, respectively. We expect that the prices of solar module products, including our own products, will continue to decline in 2012 due to reduced manufacturing costs from improving technology and increased supplies which exceeded increased demand for solar power products in the market. See “Item 3. Key Information—D. Risk Factors—Risks Related to Our Company and Our Industry— Volatile market and industry trends, in particular, the changes in demand for solar power products and continued downward pressure on the prices of solar power products will reduce our revenues and profitability” for more details.

### ***Pace of Advancement in Process Technologies***

Process technologies advancement is important because it helps increase conversion efficiencies of solar cells and helps reduce the manufacturing cost of solar power products. Higher conversion efficiency generally leads to higher revenues from sales of solar power products. As a result, solar power companies, ourselves included, are continuously developing advanced process technology for large-scale manufacturing. In 2011, our research and the production management teams have made a concerted effort to improve the performance of our standard crystalline solar cells. We have begun commercially producing our QSAR™ solar cells and PSAR™ solar cells on two of our manufacturing lines in 2011 and 2012, respectively. In addition, our research team continued to focus on the development of advanced process technology for cost-efficiently manufacturing high-efficiency solar power products.

### ***Seasonality of Our Operations***

We believe that industry demand for solar power products may be affected by seasonality. Demand tends to be lower during the winter season from December to February, primarily because adverse weather conditions in certain regions make installations of solar power systems more difficult. Furthermore, as there are fewer working days for our China-based customers during Chinese New Year holidays, usually in January or February, our sales volumes and revenues tend to be lower during these periods.

## Overview of Financial Results

### Net Revenues

Our net revenues are net of value-added tax. Factors affecting our net revenues include average selling price per watt, unit volume sold and product demand for our solar power products. We began to generate net revenues primarily from the sales of solar modules after we acquired the two module manufacturers in November 2010. In 2011, we also derived revenues from selling a small amount of solar cells and raw materials to certain customers. We also process silicon wafers provided by our customers into solar cells or process solar cells provided by our customers into solar modules under OEM arrangements, and we charge processing fees from these customers. However, such revenues are immaterial in 2011.

In 2009, one third party customer contributed approximately 11% of our total net revenues. No third party customer accounted for more than 10% of our net revenues in 2010 and 2011. Such decrease in percentage in 2011 was due to our expansion into downstream solar power business and our ongoing efforts in diversifying our overall customer base.

We currently sell most of our solar modules to customers outside China, in particular, Italy, France, Germany and India. For the years ended December 31, 2009, 2010 and 2011, approximately 35%, 36.2% and 93.3% of our total net revenues was made from customers outside China, respectively. In 2011, we expanded our sales into Europe, and increased sale volumes in Italy, France and Belgium. We have also expanded our business presence in emerging solar power markets such as India and Australia. We expect to expand our customer base geographically in 2012.

The following table sets forth by region our total net revenues derived from sales of our products for the periods indicated:

	Year Ended December 31,								
	2009		2010		2011				
	(in thousands, except percentages)								
Europe:									
— Italy	\$	7,557	2.7%	\$	63,467	12.3%	\$	170,681	30.1%
— France		-	-		8,745	1.7		58,439	10.3
— Germany		67,120	23.5		28,201	5.5		57,314	10.1
— Belgium		-	-		11,851	2.3		46,114	8.2
— Czech Republic and Slovakia		-	-		3,838	0.7		28,260	5.0
— Spain		2,743	1.0		19,171	3.7		4,432	0.8
— Others		1,783	0.6		12,488	2.4		42,376	7.5
Europe Total		79,203	27.8		147,761	28.6		407,616	72.0
India		1,657	0.6		—	—		49,415	8.7
PRC		185,177	65.0		330,378	63.8		38,087	6.7
Australia		11,947	4.2		7,925	1.5		32,599	5.8
America		2,568	0.9		6,533	1.3		3,992	0.7
South Korea		409	0.1		8,208	1.6		7	0.0
Others		3,904	1.4		16,414	3.2		34,576	6.1
Total net revenues	\$	284,865	100%	\$	517,219	100%	\$	566,292	100%

### Cost of Revenues and Operating Expenses

The following table sets forth our cost of revenues and our operating expenses as a percentage of our total net revenues for the periods indicated.

	Year Ended December 31,		
	2009	2010	2011
Cost of revenues	94.2%	82.2%	99.7%
Operating expenses:			
Selling and marketing expenses	1.0	1.1	3.4
General and administrative expenses	8.6	3.4	7.3
Research and development expenses	1.5	0.6	1.2
Goodwill impairment loss	-	-	2.6
Total operating expenses	11.1%	5.1%	14.5%

Our cost of revenues as a percentage of our total net revenues were 94.2%, 82.2% and 99.7% in 2009, 2010 and 2011, respectively. Our cost of revenues significantly increased as a percentage of our total net revenues in 2011, primarily due to declines in average selling price per watt for solar cells and solar modules that exceeded decreases in prices of silicon raw materials. Our cost of revenues decreased significantly in 2010 as a percentage of our total net revenues in 2010 primarily due to the decreased price of silicon raw materials and our reduced non-silicon cost.

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

Our total operating expenses as a percentage of our total net revenues was 11.1%, 5.1% and 14.5% in 2009, 2010 and 2011, respectively. Our total operating expenses in 2011 increased significantly from 2010 as a percentage of our total net revenues primarily due to a \$14.8 million impairment for goodwill associated with our acquisition of SST and NRE, \$12.3 million bad debt provisions accrued primarily as a result of providing extended credit terms to, and accruing specific provisions for, certain customers as well as the settlement payment to REC Wafer in October 2011. Our total operating expenses in 2009 as a percentage of our total net revenues was higher than that of 2010 because our reserve in 2009 included the proposed settlement of the 2007 shareholder class action of \$1.1 million and allowance for doubtful accounts receivable of \$7.3 million. In addition, we incurred more material costs consumed in our research and development activities in 2009.

### ***Cost of Revenues***

Our cost of revenues consists primarily of:

- **Raw materials cost.** Silicon raw materials, primarily in the form of silicon wafers, comprise a substantial majority of our cost of revenues. In addition to silicon raw materials, raw materials involved in our production also include metallic pastes, tempered glass, ribbon, laminate material (EVA, TPT), junction box, and aluminum frame.
- **Sourcing cost.** We fulfill some of our solar cell requirements by sourcing from external suppliers. The sourcing cost of solar cells is capitalized as inventory, and recorded as a part of our cost of revenues when our finished solar modules are sold. We will continue to source high-quality solar cells from reliable suppliers in order to fill the gap between our solar cell manufacturing capacity and our solar module manufacturing capacity.
- **Direct labor cost.** Direct labor costs include salaries and benefits for manufacturing personnel. We expect direct labor costs to increase as we hire additional manufacturing personnel as we expand our production.
- **Overhead.** Overhead costs include maintenance, utilities such as electricity and water used in manufacturing, and other support expenses associated with the manufacturing.
- **Depreciation and amortization of manufacturing facilities and equipment.** Due to our capacity expansion, our depreciation and amortization expenses have increased. We expect depreciation to increase in absolute terms in the near future following the expansion of our manufacturing capacity.

- **Warranty costs.** With respect to solar cell sales made with contractual warranty provisions, we accrue 0.5% of our net revenues as warranty costs at the time revenue is recognized. Our sales contracts concluded after December 2006 do not contain warranty provisions, which we believe is in line with the practice of other solar cell manufacturers in China. We do not expect to enter into solar cell sales contracts with warranty provisions in the future. We still accrue warranty costs for deliveries of solar cells under the contracts concluded before December 2006. With respect to solar modules, which are typically sold with a five-year or ten-year warranty for defects in material and workmanship and a minimum power output warranty of up to 25 years following the date of purchase, we accrue 1.0% of our net revenues generated from module sales based primarily on our own history, an assessment of our competitors' accrual history and industry practice. We expect warranty costs to increase in absolute terms as module sales will continue to account for a larger portion of our net revenues as we expand into downstream in the solar power business.

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

### ***Gross Profit and Gross Margin***

Our gross profit is affected by a number of factors, including the average selling prices for our solar power products, the cost of revenues, product mix, economies of scale and benefits from vertical integration and our ability to cost-efficiently manage our raw material supply. Our gross profit was \$1.8 million in 2011, compared to \$92.3 million in 2010 and 16.6 million in 2009. Our gross margin was 0.3% in 2011, compared to 17.8% in 2010 and 5.8% in 2009. Our gross margins in 2011 decreased significantly from 2010 as a result of the decrease in the average selling price for our solar power products as a result of the deterioration in market conditions and the increase in non-silicon manufacturing costs as a result of the rapid expansion of our module business. Since the fourth quarter of 2010, non-silicon manufacturing cost per watt for solar modules of \$0.30 was incurred in 2011 after we started manufacturing solar modules on a large scale.

We may continue to face margin compression pressure in the sales of solar power products due to the decrease in the average selling price of our solar power products and increasingly intense competition in the solar power market, although a decrease in our average purchase price of silicon wafers and an increase in shipping volume have alleviated some of the margin compression pressure. However, we believe that as our solar module business expands economies of scale and the cost reduction achieved through research and development efforts at each stage of our vertically integrated manufacturing process, among other factors, will have a positive effect on our gross profit margins over time and will help to improve our margins to offset negative market trends.

### ***General and Administrative Expenses***

General and administrative expenses consist primarily of salaries and benefits for our administrative and finance and human resources personnel, expenses associated with our administrative offices, professional advisory fees and other compliance-related costs, bad debt provision as well as depreciation of equipment used for administrative purposes. Pursuant to PRC law, our board of directors has the discretion to allocate a portion of our after-tax profit to staff welfare and bonus funds, which may not be distributed to equity owners.

General and administrative expenses account for the largest part of our operating expenses. In 2009, 2010 and 2011, our general and administrative expenses were \$24.5 million, \$17.5 million and \$41.2 million, respectively. In 2011, our general and administrative expenses were significantly higher than those in 2009 and 2010 primarily due to \$12.3 million bad debt provisions primarily resulting from providing extended credit terms to, and accruing specific provisions for, certain customers, the settlement payment to REC Wafer in October 2011 as well as increased bank charges incurred by the two module manufactures we acquired. In 2009 and 2010, we also recorded share-based compensation expenses of \$1.3 million and \$0.5 million, respectively, in connection with the grants of share options and restricted shares to certain employees. In 2011, we reversed the amount of \$0.1 million associated with options forfeited.

### ***Selling and Marketing Expenses***

Selling and marketing expenses consist primarily of post-sale service expenses, sales employee salaries, travel and entertainment expenses, shipping and handling cost and other sales and marketing expenses.

We expect that our selling and marketing expenses will increase in absolute terms in the near term as we increase our sales efforts, hire additional sales personnel, develop new markets and initiate additional marketing programs to establish our brand name.

### ***Research and Development Expenses***

Research and development expenses consist primarily of cost of raw materials used in our research and development activities, salaries and benefits for research and development personnel, and prototype costs and depreciation of equipment related to the design, development, testing and enhancement of our products and manufacturing processes. We expect our research and development expenses to increase as we purchase more raw materials to be used in our research and development activities, and plan to hire additional personnel for the research and development of our process technology.

### ***Impairment of Goodwill***

Impairment of goodwill represents the difference between the carrying amount and the implied fair value of goodwill. Goodwill was generated from our acquisition of SST and NRE in November 2010. We evaluate our annual goodwill impairment in November. Due to the deterioration in market conditions resulting in decreased average selling prices of our solar power products, which was primarily experienced in the fourth quarter of 2011, our stock price severely decreased. As of December 31, 2011, as our market value was significantly lower than our net book assets, we fully impaired the goodwill of \$14.8 million in 2011. No impairment of goodwill was recorded in 2009 or 2010.

### ***Share-based Compensation Expenses***

In 2008 and 2009, we entered into option award agreements pursuant to our first share incentive plan. Under these option award agreements, we had outstanding options to purchase 676,744 ordinary shares as of December 31, 2011. We also entered into two restricted share award agreements pursuant to our second share incentive plan. As of December 31, 2011, no restricted share was outstanding under these restricted share award agreements. See Item 6, “Directors, Senior Management and Employees—Compensation of Directors and Executive Officers—Share Incentive Plan.” In 2009 and 2010, we also recorded share-based compensation expenses of \$1.3 million and \$0.5 million, respectively, in connection with the grants of share options and restricted shares to certain employees. The amount reversed associated with options forfeited was \$0.1 million for the year ended December 31, 2011. Changes in the amount of share-based compensation will affect our general and administrative expenses, reported net income and earnings per share.

We are required to recognize share-based compensation as compensation expense in our statement of operations based on the fair value of equity awards on the grant date, with the compensation expense recognized over the period in which the recipient is required to provide service in exchange for the award (usually the vesting period). We are also required to adopt a fair value-based method of measuring the compensation expense related to share-based compensation. We record share-based compensation expenses for the fair value of the options and restricted shares at the grant date. We recognize such share-based compensation expenses over the grant recipient’s requisite service periods.

As of December 31, 2011, our unrecognized compensation expense related to unvested share-based compensation arrangements granted under the plan was immaterial.

### **Taxation**

Under the current laws of the Cayman Islands and the British Virgin Islands, we and Sunergy BVI are not subject to tax on income or capital gain. Additionally, dividend payments made by us and Sunergy BVI are not subject to withholding tax in those jurisdictions.

Under the current Hong Kong Inland Revenue Ordinance, Sunergy Hong Kong is subject to Hong Kong profit tax at a rate of 16.5% in 2009, 2010 and 2011 on its taxable income generated from operations in Hong Kong. Additionally, payments of dividends by Sunergy Hong Kong to us are not subject to any Hong Kong withholding tax. China Sunergy Trading (Hong Kong) Co., Limited was incorporated in May 2011 and was subject to Hong Kong profit tax at a rate of 16.5% in 2011.

The New EIT Law and the New EIT Law Implementation Rules provides that enterprises established under the laws of foreign countries or regions whose “de facto management bodies” are located within the PRC are considered PRC resident enterprises and will be subject to the PRC enterprise income tax at the rate of 25% on their worldwide income. Under the New EIT Law Implementation Rules, a “de facto management body” is defined as “establishments that carry out substantial and overall management and control over the manufacturing and business operations, personnel, accounting, properties, etc. of an enterprise.” If we are treated as PRC resident enterprises for PRC tax purposes, we will be subject to PRC enterprise income tax on our worldwide income at the 25% tax rate, which would have an impact on our effective tax rate. Additionally, under such circumstances that Sunergy Hong Kong also treated as a PRC resident enterprise, dividends distributed from our PRC subsidiaries to Sunergy Hong Kong and ultimately to us could be exempt from withholding tax, and dividends from us to our foreign investors would be subject to a withholding tax at 10%, unless any such foreign investor’s jurisdiction of incorporation has a tax treaty with China that provides for a reduced withholding arrangement.

### ***PRC Enterprise Income Tax***

Prior to January 1, 2008, a foreign-invested enterprise in China was typically subject to enterprise income tax at a statutory rate of 33%, which comprised 30% national income tax and 3% local income tax. Sunergy Nanjing, a foreign-invested enterprise engaged in a manufacturing business and established in Nanjing, which is within a coastal economic zone, was entitled to a preferential enterprise income tax rate of 24% before January 1, 2008. As a wholly foreign owned enterprise engaged in a manufacturing business, Sunergy Nanjing was also entitled to two years of exemption followed by three years of 50% deduction starting from its first profitable year which was 2006. On March 16, 2007, the National People’s Congress issued the New EIT Law, under which foreign-invested enterprises and domestically-owned companies would be subject to enterprise income tax at a uniform rate of 25%. On December 6, 2007, the Congress also promulgated the New EIT Law Implementation Rules. Both the New EIT Law and the New EIT Law Implementation Rules became effective on January 1, 2008. On December 26, 2007, State Council of China promulgated the Circular. Under the New EIT Law, the New EIT Law Implementation Rules and the Circular, enterprises which were established and already enjoyed preferential income tax treatments before March 16, 2007 will continue to enjoy them (i) in the case of preferential tax rates, for a period of five years from January 1, 2008, and the enterprises which previously enjoy the tax rate of 24% shall be subject to the tax rate of 25% in 2008, and (ii) in the case of preferential tax exemption or reduction for a specified term, until the expiration of such term, or 2012, whichever is earlier. However, the Circular also prescribes that if the above transitional relief of enterprise income tax overlaps with the preferential treatments provided by the New EIT Law, an enterprise may choose the more favorable treatment, and shall not enjoy both. The treatment cannot be changed once it is chosen.

On April 14, 2008, the Ministry of Finance, the Ministry of Science and Technology and the State Administration of Taxation jointly promulgated the Recognition Measures. Pursuant to the New EIT Law, the New EIT Law Implementation Rules and the Recognition Measures, HNTE is eligible for a preferential tax rate of 15%. On October 21, 2008, Sunergy Nanjing obtained a HNTE certificate with a three-year validity term, from 2008 to 2010, and renewed the HNTE certificate with another three-year validity term from 2011 to 2013. Therefore, Sunergy Nanjing is eligible for a 15% preferential tax rate during the above period.

Based on the Circular, the management chooses to enjoy the transitional relief, i.e. 12.5% from 2008 to 2010, for Sunergy Nanjing. Sunergy Nanjing was in a tax loss position under PRC tax law in 2004, 2005, 2007, 2008 and 2009, and thus was not subject to any enterprise income tax during these periods. Sunergy Nanjing is subject to such enterprise income tax in 2010. In 2011, Sunergy Nanjing is subject to a preferential income tax rate of 15%.

Sunergy Shanghai was established in November 2007 and its applicable enterprise income tax rate is 25%. Sunergy Shanghai did not have substantive operations and had incurred minimal non-operating related losses in 2007, 2008, 2009, 2010 and 2011.

SST was acquired in November 2010. It obtained the HNTE certificate in 2009, with a valid period between 2009 and 2011, and thus is eligible for a 15% preferential tax rate during this period. SST’s HNTE certificate expired in 2011 and SST currently is preparing for the application of the renewal of the HNTE certificate.

NRE was acquired in November 2010 and its applicable enterprise income tax rate is 25%.

Sunergy Yangzhou was established in June 2011 and its applicable enterprise income tax rate is 25%. As of December 31, 2011, Sunergy Yangzhou had no substantive operations and had incurred minimal non-operating income.



## ***Critical Accounting Policies***

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

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

### ***Revenue Recognition***

Sales of solar cells and modules are recorded when persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable, and collectability is reasonably assured. We sell our solar power products at agreed upon prices to our customers, which reflect prevailing market prices. Our considerations for recognizing revenue are based on the following:

- Persuasive evidence that an arrangement (sales contract) exists between a willing customer and us that outlines the terms of the sale (including customer information, product specification, quantity of goods, purchase price and payment terms). Customers do not have any general rights of return but may be allowed to exchange for goods that are not defective for a 30 to 45 day period. We have recorded the estimated replacement costs, which have been immaterial for all periods in cost of revenue upon recognition of revenue.
- Delivery is considered to have occurred when the risks, rewards and ownership of the products are transferred from us to our customers. The majority of our sales contracts include the shipping terms Free on Board and Cost, Insurance and Freight. Based on the nature of these shipping terms, our obligation to deliver has been fulfilled when the goods pass over the ship's rail at the named port of shipment which is specified in each contract.
- Our price to the customer is fixed and determinable as specifically outlined in the sales contract.
- For customers to whom credit terms are extended, we assess a number of factors to determine whether collection from them is probable, including past transaction history with them and their credit-worthiness. All credit extended to customers is pre-approved by management. If we determine that collection is not reasonably assured, we defer the recognition of revenue until collection becomes reasonably assured, which is generally upon receipt of payment.

### ***Allowance for Doubtful Accounts***

We conduct credit evaluations of customers and generally do not require collateral or other security from them. We establish an allowance for doubtful accounts primarily based upon the age of the receivables and factors surrounding the credit risk of specific customers. We generally do not require collateral or other security interests from our customers when we grant them credit. However, we maintain a reserve for potential credit losses and such losses have historically been within our expectations. We raise an allowance for doubtful accounts primarily based on the age of the receivables or prepayments and other factors like the length of time receivables are passing due, previous loss history and the counterparty's current ability to fulfill its obligation. In 2009, we determined that the possibility of collecting the accounts receivable from a specific customer became remote, once it was determined that the customer's financial condition had deteriorated greatly. Based on this assessment, we recorded the full allowance of \$7.3 million for doubtful accounts. However, we continued our efforts to collect the amount owed from the customer. Subsequently in April 2010, we reached a final settlement agreement with this customer pursuant to which we collected \$1.5 million of the outstanding receivable balance in December 2010 and wrote off the remaining amount of approximately \$6 million which was uncollectible.

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

### ***Inventories***

Our inventories are stated at the lower of cost or market value. The valuation of inventory requires us to estimate excess and slow moving inventory. The determination of the value of excess and slow moving inventory is based upon assumptions of future demands and market conditions. If actual market conditions are less favorable than those projected by management, inventory write-downs may be required. We routinely evaluate quantities and value of our inventories in light of current market conditions and market trends, and record write-down against the cost of inventories for a decline in net realizable value. Inventory write-down charges establish a new cost basis for inventory. In estimating obsolescence, we estimate future market demand by referring to our backlog sales orders and our historical inventory turnover ratio. We estimate sales prices for the next quarter through our market analysis. Market conditions are subject to change and actual consumption of inventories could differ from forecasted demand. Furthermore, spot prices of polysilicon are primarily a result of market supply and demand. Our management continually monitors the changes in the purchase price paid for polysilicon, including advances and prepayments to suppliers. The majority of the write-downs have been attributable to changes in price levels associated with the decrease in selling prices of solar power products, which is the result of market trends. Our average selling price of the solar cells decreased from \$1.36 per watt in 2009 to \$1.35 per watt in 2010. In 2011, we primarily sell off-specification solar cells at an average selling price of \$0.84 per watt, which are lower than the costs incurred in the production of such off-specification solar cells, resulting in the negative margin. Our average selling price of the solar modules increased from \$1.87 per watt in 2009 to \$1.92 per watt in 2010, but decreased to \$1.36 per watt in 2011. Our products have a long life cycle and obsolescence has not historically been a significant factor in the valuation of inventories.

### ***Project Assets***

Project assets consist primarily of costs relating to solar power projects in various stages of development that are capitalized prior to the sale of the solar power project. These costs include modules, installation and other development costs, such as legal, consulting and permitting. While the project assets are not constructed for any specific customers, we intend to sell the project assets upon their completion.

We review project assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. In determining whether or not the project assets are recoverable, we consider a number of factors, including changes in environmental, ecological, permitting, or regulatory conditions that affect the project. Such changes may cause the cost of the project to increase or the selling price of the project to decrease.

### ***Impairment of Long-lived Assets***

We evaluate our long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. When these events occur, we measure impairment by comparing the carrying amount of the assets to future undiscounted net cash flows expected to result from the use of the assets and their eventual disposition. If the sum of the expected undiscounted cash flow is less than the carrying amount of the assets, we recognize an impairment loss based on the fair value of the assets. The determination of fair value of the long lived assets acquired involves certain judgments and estimates. These judgments can include, but are not limited to, the cash flows that an asset is expected to generate in the future. This analysis also relies on a number of factors, including changes in strategic direction, business plans, regulatory developments, economic and budget projections, technological improvements, and operating results. Any write-downs would be treated as permanent reductions in the carrying amounts of the assets and an operating loss would be recognized. We identified certain long-lived assets that were no longer actively used due to obsolete technology or poor physical conditions as of December 31, 2009, resulting in a loss of \$0.8 million.

### ***Business combination***

Our consolidated financial statements reflect the results of an acquired business after the completion of the acquisition. We account for business combinations using the purchase method of accounting, which requires that most assets acquired and liabilities assumed be recorded at the date of acquisition at their fair values. Any excess of the purchase price over the assigned values of the net assets acquired is recorded as goodwill.

The judgments made in determining the estimated fair value assigned to each class of assets acquired and liabilities assumed, as well as asset lives, can materially impact our results of operations. There are several methods that can be used to determine fair value. For intangible assets, we typically use the income method. This method starts with our forecast of all of the expected future net cash flows. These cash flows are then adjusted to present value by applying an appropriate discount rate that reflects the risk factors associated with the cash-flow streams. Some of the more significant estimates and assumptions inherent in the income method or other methods include:

- amount and timing of projected future cash flows;
- amount and timing of projected costs to develop commercially viable products and services;
- discount rate selected to measure the risks inherent in the future cash flows; and
- assessment of the asset's life cycle and the competitive trends impacting the asset, including consideration of (1) any technical, legal, regulatory or economic barriers to entry and (2) expected changes in standards of practice for indications addressed by the asset.

Determining the useful life of an intangible asset also requires judgment, as different types of intangible assets will have different useful lives and certain assets may even be considered to have indefinite useful lives.

### ***Goodwill Impairment***

Goodwill is required to be tested for impairment at least annually or more frequently if events or changes in circumstances indicate that these assets might be impaired. If we determine that the carrying value of our goodwill has been impaired, the carrying value will be written down. Management evaluates its annual goodwill impairment in November .

To assess potential impairment of goodwill, we perform an assessment of the carrying value of the reporting unit at least on an annual basis or when events and changes in circumstances occur that would more likely than not reduce the fair value of the reporting unit below its carrying value. If the carrying value of reporting unit exceeds its fair value, we would perform the second step in our assessment process and record an impairment loss to earnings to the extent the carrying amount of the reporting unit exceeds its implied fair value. We estimate the fair value of the reporting unit through internal analysis and external valuations, which utilize income and market valuation approaches through the application of capitalized earnings and discounted cash flow. These valuation techniques are based on a number of estimates and assumptions, including the projected future operating results, appropriate discount rates and long-term growth rates. The significant assumptions regarding our future operating performance are revenue growth rates, discount rates and terminal values. If any of these assumptions changes, the estimated fair value of the reporting unit will change, which could affect the amount of goodwill impairment charges, if any. Due to the deterioration in market conditions resulting in decreased average selling prices of our solar power products, which was primarily experienced in the fourth quarter of 2011, our stock price severely decreased. As of December 31, 2011, as our market value was significantly lower than our net book assets, we fully impaired the goodwill of \$14.8 million in 2011. No impairment of goodwill was recorded in 2009 or 2010.

### ***Warranty Costs***

Historically, some of our sales contracts with overseas customers provided for a 10- or 20-year warranty for the performance of our solar cells against declines in certain technical specifications, primarily the minimum power generation capacity specified at the time of delivery. Since the beginning of 2007, we have aborted such warranty terms in solar cell sales contracts. We also sell our module products to customers along with a warranty on the performance of solar module products at certain levels of conversion efficiency for an extended period. Our solar modules are typically sold with a warranty up to 25 years against specified declines in the initial minimum power generation capacity at the time of sale. In addition, we provided warranty for our solar modules against defects in materials and workmanship for a period of five years from the date of sale. We extended our module product warranty policy for materials and workmanship from five to ten years for all standard photovoltaic solar module products shipped after August 10, 2011. The remedies provided under the warranty terms are primarily for the repair or replacement of the effected solar modules and the related labor cost. We believe these terms are consistent with the warranties offered by our competition in the market. We maintain warranty reserves (recorded as accrued warranty costs) to cover potential liabilities that could arise from these warranties. We currently accrue for all of our product warranties on a cumulative basis, based on our best estimate to date. We estimate the cost of warranties to be approximately 1.0% of our solar module sales and include that amount in our cost of revenues. We make such estimate based on a number of factors including i) the nature of the warranties provided, which are consistent with industry practice, ii) actual claim expenses incurred, iii) our internal testing results, and iv) other assumptions that affect estimates of warranty costs, including industry data for warranty claim activities and academic research. We acknowledge that such estimates require significant judgment and we will continue to analyze our claim history, academic research and internal testing results and the performance of our products compared to our competitors in determining the adequacy of our warranty accruals. An increase or decrease of 0.1% accrual rate, applicable to sales of solar module in 2011, would have resulted in a corresponding increase or decrease in warranty expense of \$0.6 million for the year ended December 31, 2011. Because we are a relatively new company, we have a limited warranty claim period. We also engage in product quality assurance programs and processes, including monitoring and evaluating the quality of suppliers, in an effort to ensure the quality of our products and reduce our warranty exposure. As we have not experienced significant warranty claims to date in connection with declines of the power generation capacity or other technical specifications of our solar cells or solar modules, we estimate our warranty costs based on our actual historical cost data, competitor data and academic research which are reviewed by our quality review staff. Although we conduct quality testing and inspection of our solar cell products, our solar cell products have not been tested in an environment simulating the up to 20-year warranty periods. We acknowledge that

such estimates are subjective, and we will continue to analyze our claim history and the performance of our products compared to our competitors and academic research to determine whether our accrual is adequate. Actual warranty costs are accumulated and charged against accrued warranty liability. Our warranty obligation will be affected not only by our product failure rates, but also by costs incurred to repair or replace failed products as well as any service delivery costs incurred in correcting a product failure. If our actual product failure rates, material usage or service delivery costs differ from our estimates, we will need to prospectively revise our estimated warranty liability accrual rate.

### ***Valuation of Share-based Compensation***

We record share-based compensation expense based on the fair value of the options and other awards on the date of grant.

In 2008 and 2009, we granted share options and restricted shares to certain of our employees. We incurred share-based compensation expenses of \$1.3 million and \$0.5 million for the years ended December 31, 2009 and 2010, respectively. The net amount reversed associated with options forfeited was \$0.1 million for the year ended December 31, 2011. We used the binomial option-pricing method to determine the amount of employee share-based compensation expenses. This approach requires us to make assumptions on such variables as share price volatility, expected lives of awards and discount rates. Changes in these assumptions could significantly affect the amount of employee share-based compensation expenses we recognize in our consolidated financial statements. See Item 5, “—Overview of Financial Results—Share-based Compensation Expenses.”

### ***Income Taxes***

We periodically evaluate the likelihood of the realization of deferred tax assets, and reduce the carrying amount of these deferred tax assets by a valuation allowance to the extent we believe a portion will not be realized. We consider many factors when assessing the likelihood of future realization of our deferred tax assets, including our recent cumulative operating experience by taxing jurisdiction, expectations of future taxable income, the carry-forward periods available to us for tax reporting purposes, and other relevant factors. Deferred income taxes are recognized for temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements, net operating loss carry forwards and credits by applying enacted tax rates applicable to future years. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more-likely-than-not that some portion or all of the deferred tax assets will not be realized. Current income taxes are provided for in accordance with the laws of the relevant taxing authorities. On October 21, 2008, Sunergy Nanjing obtained a HNTE certificate with a three-year validity term, from 2008 to 2010, and renewed the HNTE certificate with another three-year validity term from 2011 to 2013. Thus Sunergy Nanjing is eligible for a 15% preferential tax rate in 2011. SST was acquired in November 2010. It obtained the HNTE certificate in 2009, with a valid period between 2009 and 2011, and thus is eligible for a 15% preferential tax rate during this period. SST's HNTE certificate expired in 2011 and SST currently is preparing for the application of the renewal of the HNTE certificate. NRE was acquired in November 2010 and its applicable enterprise income tax rate is 25%. The components of the deferred tax assets and liabilities are individually classified as current and non-current based on the characteristics of the underlying assets and liabilities, or the expected timing of their use when they do not relate to a specific asset or liability.

## Results of Operations

The following table sets forth a summary, for the periods indicated, of our consolidated results of operations, with each item expressed as a percentage of our total net revenues. Our limited operating history makes the prediction of future operating results very difficult. Period-to-period comparisons of our operating results should not be relied upon as indicative of future performance. Item 3 “Key Information—Risk Factors—Risks Related to Our Company and Our Industry—We have a limited operating history and we have incurred losses in certain prior periods and may incur losses in the future.”

	Year Ended December 31,					
	2009		2010		2011	
			(in thousands, except percentages)			
Net revenues	\$	284,865	100.0%	\$	517,219	100.0%
Cost of revenues		(268,252)	(94.2)		(424,917)	(82.2)
Gross profit		16,613	5.8		92,302	17.8
Operating expenses						
Selling and marketing expenses		(2,920)	(1.0)		(5,467)	(1.1)
General and administrative expenses		(24,517)	(8.6)		(17,518)	(3.4)
Research and development expenses		(4,382)	(1.5)		(3,346)	(0.6)
Goodwill impairment loss		-	-		-	-
Total operating expenses		(31,819)	(11.1)		(26,331)	(5.1)
Income (loss) from operations		(15,206)	(5.3)		65,971	12.7
Interest expense		(7,719)	(2.7)		(9,065)	(1.7)
Interest income		1,633	0.6		1,162	0.2
Changes in fair value of derivatives		8,020	2.8		2,920	0.6
Other income (expense), net		2,100	0.7		(3,687)	(0.7)
(Loss) income before income taxes		(11,172)	(3.9)		57,301	11.1
Tax benefit (expense)		903	0.3		(5,567)	(1.1)
Net income (loss)		(10,269)	(3.6)		51,734	10.0
Net income (loss) attributable to China Sunergy Co., Ltd.		(10,269)	(3.6)		51,734	10.0
Net income (loss) attributable to China Sunergy Co., Ltd. ordinary shareholders		(10,269)	(3.6)%		51,734	10.0%

### Year Ended December 31, 2011 Compared to Year Ended December 31, 2010

**Net Revenues.** Our total net revenues increased by \$49.1 million, or 9.5%, from \$517.2 million in 2010 to \$566.3 million in 2011. Our net revenues increased primarily due to the increase in our manufacturing capacity of solar modules after we acquired two module manufactures in the fourth quarter of 2010 and corresponding increase in sales volume of our solar modules.

After we expanded into manufacturing and selling solar modules in the fourth quarter of 2010, substantially all of the solar cells produced by us in 2011 were used for the production of our solar modules. In 2011, we shipped 420.3 MW of solar power products including 6.6 MW solar cells, 2.2 MW solar cells and modules processed under OEM arrangements and 411.5 MW of solar modules, compared to sales of 347.8 MW of solar power products, including 277.2 MW of solar cells sold, 3.4 MW of solar cells and solar modules processed under OEM arrangements and 67.2 MW of solar modules sold in 2010.

As a result of our module business expansion in 2011 and our ongoing efforts in marketing to customers outside China, our revenues from sales in China, as a percentage of our total revenues, decreased from 63.8% in 2010 to 6.7% in 2011. Correspondingly, our sales outside China, with Italy being the largest market, increased both in dollar amounts and as a percentage of our total net revenues.

**Cost of Revenues.** Our cost of revenues increased by \$139.6 million, or 32.9%, from \$424.9 million in 2010 to \$564.5 million in 2011. Our cost of revenues increased primarily due to the increase in quantity of silicon materials (including solar cells procured for our module productions) and blended non-silicon manufacturing costs as a result of our rapid expansion of our solar module business, partially offset by the decreased prices of silicon materials in 2011 over 2010.

The price of silicon wafers, driven largely by the cost of silicon materials, decreased from \$0.88 per watt in 2010 to \$0.67 per watt in 2011. However, our non-silicon manufacturing cost per watt for solar cells increased from \$0.22 in 2010 to \$0.24 in 2011 and we incurred non-silicon manufacturing cost per watt for solar modules of \$0.30 in 2011 after we started manufacturing solar modules on a large scale. As a result, silicon materials accounted for approximately 55.4% of our cost of revenue in 2011 compared to 80.0% in 2010. As a percentage of our total net revenues, our cost of revenues increased from 82.2% in 2010 to 99.7% in 2011.

**Gross Profit.** As a result of the foregoing, our gross profit decreased by \$90.5 million from \$92.3 million in 2010 to \$1.8 million in 2011. Our gross margin decreased from 17.8% in 2010 to 0.3% in 2011, primarily due to the decrease in the average selling price for solar cells and solar modules as a result of the deterioration in market conditions and the increase in non-silicon manufacturing costs as a result of the rapid expansion of our module business.

**Operating Expenses.** Our operating expenses increased by \$55.6 million, or 211.4%, from \$26.3 million in 2010 to \$81.9 million in 2011. The increase in operating expenses was primarily due to increases in general and administrative expenses and a \$14.8 million impairment for goodwill associated with our acquisition of SST and NRE in November 2010. As a percentage of our total net revenues, operating expenses increased from 5.1% in 2010 to 14.5% in 2011.

**General and administrative expenses.** Our general and administrative expenses increased by \$23.7 million, or 135.4%, from \$17.5 million in 2010 to \$41.2 million in 2011. The increase in our general and administrative expenses was due primarily to, an increase of \$12.3 million in bad debt provision primarily resulting from providing extended credit terms to and accruing specific provisions for certain customers, an increase of approximately \$1.5 million in bank charges, an increase of \$1.7 million in salaries and benefit expenses related to the expansion of our module business, and the settlement payment to REC Wafer.

**Selling and marketing expenses.** Our selling and marketing expenses increased by \$13.6 million, or 247.3%, from \$5.5 million in 2010 to \$19.1 million in 2011. The increase in our selling and marketing expenses was due primarily to an increase of \$3.1 million in logistic fees for export and delivery of our module products, an increase of \$2.3 million in the amortization cost of intangible assets regarding customer relationship incurred by the two module manufacturers we acquired, a \$2.0 million commission payment for solar module sales, and increased oversea warehousing fees.

**Research and development expenses.** Research and development expenses increased by \$3.4 million, or 103.0%, from \$3.3 million in 2010 to \$6.7 million in 2011. The increase in research and development expenses was due primarily to an increase of \$1.7 million in raw materials used in our research and development activities.

**Impairment of Goodwill.** The goodwill of \$14.8 million arose from the acquisition of SST and NRE in November 2010, consisting largely of the enhanced capabilities of expanding into end user market by the vertical integration. Due to the deterioration in market conditions resulting in decreased average selling prices of our solar power products, which was primarily experience in the fourth quarter of 2011, our stock price severely decreased. As of December 31, 2011, as our market value was significantly lower than our net book assets we recognized an impairment loss of \$14.8 million in goodwill in 2011. No impairment of goodwill was recorded in 2009 or 2010.

**Interest Expense.** Our interest expenses increased by \$14.4 million, or 158.2%, from \$9.1 million in 2010 to \$23.5 million in 2011, primarily due to increase in the total amount of bank borrowings to support our business expansion.

**Interest Income.** Our interest income increased by \$1.3 million, or 108.3%, from \$1.2 million in 2010 to \$2.5 million in 2011 primarily as a result of higher interest income from our demand deposit as our cash balance increased.

**Change in Fair Value of Derivative.** In 2011, we incurred a loss on the change in fair value of derivative of \$5.2 million, compared to a gain on the change in fair value of derivative of \$2.9 million in 2010. Our loss on the change in fair value of derivative in 2011 was due to the change in fair value of foreign currency exchange contracts in the amount of \$5.2 million, which was attributable to the appreciation of the Euro against the RMB during the period. Our gain on the change in fair value of derivative in 2010 was due to the change in fair value of foreign currency exchange contracts in the amount of \$2.9 million, which was attributable to the depreciation of the Euro against the RMB during the period.

**Net Other Income (Expense).** In 2011, we recorded net other expenses of \$1.9 million, due primarily to a foreign exchange loss of \$10.6 million in 2011, which was partially offset by a gain of \$7.4 million from the repurchases of the convertible senior notes. In 2010, we recorded net other expenses of \$3.7 million, due primarily to foreign exchange loss of \$5.1 million as a result of the depreciation of Euros and U.S. Dollars. We did not repurchase any of our outstanding 4.75% convertible senior notes during 2010.

**Net (Loss) Income.** As a result of the foregoing, we incurred a net loss of \$94.3 million in 2011, compared to net income of \$51.7 million in 2010.

***Year Ended December 31, 2010 Compared to Year Ended December 31, 2009***

**Net Revenues.** Our total net revenues increased by \$232.3 million, or 81.5%, from \$284.9 million in 2009 to \$517.2 million in 2010. Our net revenues increased primarily due to an increase in the shipment volume of our solar power products, partially due to the recovery of the global economy, and our transitioning from a manufacturer of solar cells to a manufacturer of solar modules, which command higher sales prices. As we expect the majority of our business to be module sales prospectively, we expect the higher per unit sales price to continue.

In 2010, we shipped 347.8 MW of solar power products including 277.2 MW solar cells, 3.4 MW solar cells and modules processed under OEM arrangements and 67.2 MW of solar modules, compared to sales of 194.0 MW of solar power products, including 181.5 MW of solar cells sold, 4.2 MW of solar cells processed under OEM arrangements and 8.3 MW of solar modules sold in 2009. The increase in our sales of solar power products was due primarily to the macroeconomic economic conditions and the increase of our available manufacturing capacity and production output resulted from both the expansion of our solar cell production capacity and the acquisitions of module business.

**Cost of Revenues.** Our cost of revenues increased by \$156.6 million, or 58.4%, from \$268.3 million in 2009 to \$424.9 million in 2010. The increase was primarily due to the increased volume of our solar power product sales, partially offset by the decreased price of silicon wafers from \$0.95 per watt in 2009 to \$0.88 per watt in 2010 and our reduced non-silicon cost for solar cells from \$0.29 per watt in 2009 to \$0.22 per watt in 2010. As a result of the decreased silicon raw material and non-silicon cost, the unit cost of solar cells decreased by approximately 16% in 2010 compared to that in 2009.

Silicon raw materials, primarily silicon wafers, accounted for approximately 80% of our cost of revenue in 2010 compared to 76.6% in 2009 due primarily to the reduced non-silicon cost in 2010. As a percentage of our total net revenues, our cost of revenues decreased from 94.2% in 2009 to 82.2% in 2010.

**Gross Profit.** As a result of the foregoing, our gross profit in 2010 increased by \$75.7 million to \$92.3 million, from \$16.6 million in 2009. Our gross margin increased from 5.8% in 2009 to 17.8% in 2010.

We also sold polysilicon raw materials to wafer manufacturers and purchase silicon wafers from them under buy-and-sell arrangements in order to maintain the quantity and quality of stable silicon wafer supply. Polysilicon sales in 2010 amounted to \$13 million, \$1 million of which was contributed to our gross profit, compared to a \$17.3 million polysilicon sales in 2009, \$1.5 million of which was contributed to our gross profit in 2009.

**Operating Expenses.** Our operating expenses decreased by \$5.5 million, or 17.3%, from \$31.8 million in 2009 to \$26.3 million in 2010. The decrease in operating expenses was primarily due to decreases in general and administrative expenses. As a percentage of our total net revenues, operating expenses decreased from 11.2% in 2009 to 5.1% in 2010.

**General and administrative expenses.** Our general and administrative expenses decreased by \$7.0 million, or 28.6%, from \$24.5 million in 2009 to \$17.5 million in 2010. The decrease in our general and administrative expenses was due primarily to our reserve in 2009 for the proposed settlement of the 2007 shareholder class action of \$1.1 million and allowance for doubtful accounts receivable of \$7.3 million, which was primarily attributable to the doubtful accounts in connection with our sales to a major client of us in 2008 due to the worsening financial condition of this client, partially offset by an increase of \$0.6 million in salary and other benefits expenses due to our acquisition of the two module manufacturers in November 2010.



***Selling and marketing expenses.*** Our selling and marketing expenses increased by \$2.6 million, or 89.7%, from \$2.9 million in 2009 to \$5.5 million in 2010. The increase in our selling and marketing expenses was due primarily to a \$0.9 million logistic fee for products delivery and the amortization cost of intangible assets of \$0.5 million regarding customer relationship incurred by the two module manufacturers we acquired.

***Research and development expenses.*** Research and development expenses decreased by \$1.1 million, or 25%, from \$4.4 million in 2009 to \$3.3 million in 2010. The decrease in research and development expenses was primarily because we conducted more research and development activities and consumed more raw materials in the research and development activities in 2009 than in 2010, partially offset by an increase of \$0.1 million in research and development activities and related materials incurred by the two module manufacturers we acquired.

***Interest Expense.*** Our interest expenses increased by \$1.4 million, or 18.2%, from \$7.7 million in 2009 to \$9.1 million in 2010. The increase was due primarily to increase in the total amount of bank borrowings.

***Interest Income.*** Our interest income decreased slightly by \$0.4 million, or 25%, from \$1.6 million in 2009 to \$1.2 million in 2010, due primarily to the decrease of the interest rate applied to certain of our bank deposits.

***Change in Fair Value of Derivative.*** In 2010, we had a gain on the change in fair value of derivative of \$2.9 million, compared to a gain on the change in fair value of derivative of \$8.0 million in 2009. Our gain on the change in fair value of derivative in 2010 was due to the change in fair value of foreign currency exchange contracts in the amount of \$2.9 million, which was attributable to the depreciation of the Euro against the RMB during the period. The higher gain in fair value of derivative in 2009 was mainly attributable to the termination of the embedded foreign currency derivative instruments in connection with the termination of one of our long term supply contract in September 2009.

***Net Other Income (Expense).*** In 2010, we recorded net other expenses of \$3.7 million, due primarily to foreign exchange loss of \$5.1 million as a result of the depreciation of Euros and U.S. Dollars. In 2009, we recorded net other income of \$2.1 million, due primarily to the gain of \$2.2 million from the repurchases of the convertible senior notes, which was partially offset by the foreign exchange loss of \$0.5 million in the same year. We did not repurchase any of our outstanding convertible senior notes during 2010.

***Net Income (Loss).*** As a result of the foregoing, we achieved a net income of \$51.7 million in 2010, compared to net loss of \$10.3 million in 2009.

B. Liquidity and Capital Resources

***Cash Flows and Working Capital***

We have financed our operations primarily through short-term and long-term borrowings, proceeds from public offering, including our convertible senior notes offering in July 2008, and , to a lesser extent, cash generated from operations. We believe that our current cash, cash equivalents, short-term and long-term borrowings and anticipated cash flow from operations will be sufficient to meet our anticipated cash needs, including our cash needs for working capital and capital expenditures, for at least the next 12 months. We may, however, require additional cash as we expand our businesses. In addition, future acquisitions, investments, market changes or other developments may also require additional financing. If our existing cash is insufficient to meet our requirements, we may seek to sell additional equity or debt securities or borrow from banks. The sale of additional equity securities, including convertible debt securities, would dilute our earnings per share. The incurrence of debt would divert cash for working capital and capital expenditures to service debt obligations and could result in operating and financial covenants that restrict our operations and our ability to pay dividends to our shareholders.

As of December 31, 2009, 2010 and 2011, we had \$123.9 million, \$106.5 million and \$209.5 million, respectively, in cash and cash equivalents, \$55.7 million, \$85.0 million, \$84.4 million, respectively, in restricted cash and \$102.5 million, \$169.7 million and \$447.7 million, respectively, in outstanding borrowings. Our cash and cash equivalents primarily consist of cash on hand and demand deposits placed with banks.

In July 2008, we completed an offering of \$54.5 million aggregate principal amount of 4.75% convertible senior notes. The notes are convertible at any time prior to the close of business on the third business day immediately preceding the maturity date, unless previously redeemed, at the option of the holders into our ADSs at a conversion price of \$12.30 per ADS (approximately \$36.90 per ADS if retroactively adjusted to reflect the ADS to ordinary share ratio change), subject to certain adjustments. In connection with the convertible senior notes offering, we also offered 4,431,000 ADSs (approximately 1,477,000 ADSs if retroactively adjusted to reflect the ADS to ordinary share ratio change) in an ADS borrow facility. In June 2009, we conducted open market repurchases of \$4.0 million aggregate principal amount of our 4.75% convertible senior notes issued in July 2008 for a total cash consideration of \$1.8 million. We did not repurchase any of our outstanding convertible senior notes during 2010. In September 2011, we conducted open market repurchase of \$16.5 million aggregate principal amount of the convertible senior notes for a total cash consideration of \$9.1 million. As a result, we had \$27.5 million in principal amount of 4.75% convertible senior notes outstanding as of December 31, 2011.

We had short-term borrowings of \$102.5 million, \$139.5 million and \$286.9 million as of December 31, 2009, 2010 and 2011. Our short-term borrowings outstanding as of December 31, 2009, 2010 and 2011 bore an annual average interest rate of 5.62%, 5.33% and 6.65%, respectively. The funds borrowed under the above short-term arrangements have no covenants or restrictions, and are repayable within one year. As of December 31, 2009, 2010 and 2011, we had current portion of long-term borrowings of nil, nil and \$35.3 million. As of December 31, 2009, 2010 and 2011, we had long-term borrowings of nil, \$30.2 million and 125.4 million of long-term borrowings and bore an annual average interest rate of nil, 3.51% and 5.55%, respectively. Our long-term borrowings represent our borrowings from the Import and Export Bank of China and China development bank, with a term of two to six years, which will expire between 2013 and 2017. Certain of these long-term borrowings contain restrictive covenants, as of December 31, 2011, we were in compliance with these covenants. The increase in our short-term and long-term borrowing in 2011 was for the purpose of our purchases of property, plant and equipment mainly in connection with the expansion of solar cell and solar module manufacturing lines, investment in a new research and development center in Nanjing, China and to fund additional working capital associated with longer credit terms and cash collection cycles as a result of our expansion into module sales.

We had short-term credit facility of \$89.3 million, \$371.7 million and \$827.3 million with various banks, of which \$1.3 million, \$177.0 million and \$311.7 million had been drawn down and \$88.0 million, \$194.7 million and \$515.6 million were available to use, as of December 31, 2009, 2010 and 2011, respectively. Our short-term credit facilities are renewable annually based on mutual agreement between the parties. Separately, we had a six-year credit facility of \$60.9 million with China Development Bank to facilitate our cell capacity expansion project, of which \$49.8 million had been drawn down and \$11.1 million was available as of December 31, 2011.

We have historically been able to repay our borrowings as they became due mostly from cash from operations and proceeds from short-term and long-term borrowings. As we continue to ramp up our current and planned operations in order to complete our expansion strategies, we also expect to generate cash from our expanded operations to repay a portion of our borrowings. See Item 3, “Key Information—Risk Factors—Risks Related to Our Company and Our Industry—We have significant outstanding bank borrowings, and we may not be able to arrange adequate financing when they mature or may encounter other difficulties in maintaining liquidity.”

As of December 31, 2011, approximately \$76.7 million of the short-term bank borrowings have been guaranteed by Mr. Tingxiu Lu, our chairman, CEEG and Jiangsu CEEG Electrical Equipment Manufacturing Co., Ltd., both companies controlled by Mr. Lu. Approximately \$31.7 million of the short-term bank borrowings have been guaranteed by Bank of Nanjing and CEEG. Approximately \$20.6 million of the short-term bank borrowings have been guaranteed by CEEG and Jiangsu Xinde Asset Management Co., Ltd, a company controlled by Mr. Lu. Approximately \$9.3 million short-term borrowing has been guaranteed by Jiangsu Xinde Asset Management Co., Ltd. Approximately \$3.6 million and \$11.1 million of the short-term bank borrowings have been secured by the mortgage of our land use right and machinery and the pledge of our fixed deposit, respectively. As of December 31, 2011, approximately \$39.7 million of the long-term bank borrowings have been guaranteed by Bank of Nanjing and CEEG. Approximately \$46.2 million and 9.5 million of the long-term bank borrowings have been secured by the mortgage of our land use right and machinery and the mortgage of our construction in progress, respectively. In an agreement between Sunergy Nanjing and CEEG dated December 18, 2006, CEEG had undertaken to guarantee the bank borrowings of Sunergy Nanjing for up to RMB1 billion, subject to adjustment in the event of the material change in CEEG’s credit or operations, for one year after our initial public offering. In May 2008 and April 2010, Sunergy Nanjing and CEEG signed agreements to further extend the term of the above agreement to May 16, 2010 and further to May 31, 2011. Thereafter, Sunergy Nanjing and CEEG further undertook to guarantee the bank borrowings of Sunergy Nanjing for up to RMB2.5 billion (approximately \$397.2 million) and extended the term of this agreement to December 31, 2015.

Historically, we have significant working capital commitments because suppliers of silicon wafers and other silicon-based raw materials require us to make prepayments in advance of shipment. Our prepayments to suppliers were recorded either as advances to suppliers, if they are expected to be utilized within 12 months as of each balance sheet date, or as long-term prepayments, which was included in the line item “other long-term assets” in our consolidated balance sheet, if they represented the portion expected to be utilized after 12 months. Due to the industry-wide shortage of silicon raw materials in previous years, working capital and access to financing for the purchase of silicon raw materials were critical to growing our business. Our advances to suppliers increased significantly from \$0.2 million as of December 31, 2009 to \$8.5 million as of December 31, 2010 as we increase the prepayment in some of our contracts in order to maintain our relationship and preferential price with qualified suppliers. In 2011, our advances to suppliers decreased to 5.4 million due to utilization of prepayments previously made, and we had long-term prepayment of \$4.9 million, compared to nil as of December 31, 2010, due to the requirements stipulated in our long-term wafer supply contracts and in order to secure adequate wafer supplies for our expanded manufacturing capacity. Depending on the supply and demand situation, going forward, our purchases of silicon raw materials may continue to require us to make certain working capital commitments from time to time as we expand our production.

Inventories, one of the principal components of our current assets, decreased from \$72.3 million as of December 31, 2010 to \$44.0 million as of December 31, 2011 primarily due to the decrease in the price of silicon materials in 2011. In 2012, we plan to manage optimal levels of inventory in order to preserve cash, manage our debt levels and meet our working capital requirement.

We generally require customers to make prepayment before delivery. However, depending on their credit history with us, we historically granted our large customers credit terms of 30 to 60 days before 2011, and as a result of the change in business from the sale of solar cells to module sales, we granted our large customers credit terms of 60 to 90 days since 2011. Our accounts receivable increased significantly from \$65.6 million as of December 31, 2010 to \$152.3 million as of December 31, 2011. The increase in our accounts receivable was primarily due to the significant increase in the sales of solar modules, which generally requires provision of credit terms. For customers to whom credit terms are extended, we assess a number of factors to determine whether collection from them is reasonably assured, including past transaction history with them and their credit-worthiness. A significant portion of our outstanding accounts receivable is derived from sales to a limited number of customers, which exposed us to additional and more concentrated credit risk. As of December 31, 2009, 2010 and 2011, outstanding accounts receivable balances from customers representing 10% or more of total gross accounts receivables accounted for approximately 51%, 34% and 23%, respectively, of our total outstanding accounts receivable. The failure of any of these or other customers to meet their payment obligations would materially and adversely affect our financial position, liquidity and results of operations.

We operated with significant loss and negative operating cash flow for the year ended December 31, 2011. As of December 31, 2011, our accumulated deficit was \$81.0 million and our net current assets were \$62.8 million. See item 3 “Key Information—Risk Factors—Risks Related to Our Company and Our Industry—We have a limited operating history and we have incurred losses in certain prior periods and may incur losses in the future.” and “—We have significant outstanding bank borrowings, and we may not be able to arrange adequate financing when they mature or may encounter other difficulties in maintaining liquidity.” However, we believe we will be able to renew a substantial portion of our bank borrowings and bank credit facilities as they fall due. Since the second half of 2011, we have implemented our business strategy of cost reduction through research and development efforts and economies of scale. We believe that our current levels of cash balances, and if any, cash from operations, will be sufficient to meet our anticipated cash needs to fund our operations for at least the next 12 months.

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

	<b>Year Ended December 31,</b>		
	<b>2009</b>	<b>2010</b>	<b>2011</b>
	<b>(in thousands)</b>		
Net cash generated from (used in) operating activities	\$ 28,965	\$ 30,752	\$ (112,912)
Net cash used in investing activities	(3,140)	(51,818)	(60,096)
Net cash provided by (used in) financing activities	2,978	(4,625)	260,935
Net increase (decrease) in cash and cash equivalents	29,055	(17,387)	103,011
Cash and cash equivalents at the beginning of the year	94,800	123,855	106,468

	Year Ended December 31,		
	2009	2010	2011
	(in thousands)		
Cash and cash equivalents at the end of the year	\$ 123,855	\$ 106,468	\$ 209,479

### ***Operating Activities***

Net cash used in operating activities amounted to \$112.9 million in 2011. Net cash used in operating activities in 2011 was mainly attributable to the following factors: (i) an increase in our accounts receivables of \$99.4 million, primarily due to our granting extended credit terms for sales to our large customers of solar modules, (ii) an increase in our prepaid expenses, other current assets and VAT tax receivable of \$23.7 million primarily due to the increased refund of VAT paid or borne corresponding to increased overseas sales, partially offset by an increase in amounts due to related parties of \$47.0 million as a result of increased purchase from related parties of silicon raw materials used corresponding to our increased production output, and a decrease in inventories of \$28.3 million as a result of decreased price of silicon materials.

Operating activities during the year ended December 31, 2010 provided \$30.8 million of cash inflow in 2010. For the year ended December 31, 2010, our business generated substantial cash inflow as we increased net revenues by 81.5% from \$284.9 million in 2009 to \$517.2 million in 2010. Our cost of revenues and operating expenses, after deducting non-cash operating items, increased by 56.1% from \$279.8 million in 2009 to \$436.7 million in 2010. We had a net operating cash outflow in working capital of \$33.6 million for the year ended December 31, 2010. The cash outflow in working capital was primarily due to a significant increase in inventories as a result of increased requirement for more silicon raw materials and solar cells in connection with the expansion of production capacity and the expansion to downstream business, and a significant increase in amounts due from related parties as a result of our increased sales of modules to related parties.

Operating activities during the year ended December 31, 2009 provided \$29.0 million of cash inflow in 2009. For the year ended December 31, 2009, our business generated substantial cash inflow as we recorded net revenue of \$284.9 million. Our cost of revenues and operating expenses, after deducting non-cash operating items, decreased by 17.0% from \$337.2 million in 2008 to \$279.8 million in 2009. We had a net operating cash inflow in working capital of \$27.7 million for the year ended December 31, 2009. The cash inflow in working capital was primarily due to a significant decrease in inventories due to a decreased inventory level and a reduced average price of our inventory, a decrease in prepaid expenses and other current assets, a decrease in advances to suppliers as a result of the improved silicon raw material supply conditions, an increase in accounts payable due to increased payment periods in connection with the purchases of silicon raw materials, partially offset by an increase in amounts due from related parties and accounts receivables due to the longer credit term we granted to our customers in respect of sales of our products.

### ***Investing Activities***

Net cash used in investing activities in 2011 was \$60.1 million, as compared to \$51.8 million and \$3.1 million in 2010 and 2009, respectively. Net cash used in investing activities in 2011 was primarily attributable to our purchases of property, plant and equipment in the amount of \$60.7 million in connection with the expansion of our solar cell and solar module manufacturing capacity and investment in a new research and development center in Nanjing, China, partly offset by a decrease in restricted cash of \$0.6 million in connection with the release of certain bank guarantees. Net cash used in investing activities in 2010 was \$51.8 million, primarily attributable to our acquisition of SST and NRE in the aggregate amount of \$46.0 million, our purchase of property, plant and equipment in the amount of \$14.6 million in connection with the expansion of our solar cell manufacturing lines, partly offset by cash of \$16.0 million assumed upon the acquisition of SST and NRE. Net cash used in investing activities in 2009 was primarily attributable to our purchases of property, plant and equipment in the amount of \$9.9 million, partly offset by a decrease in restricted cash of \$6.7 million in connection with the release of certain promissory note facilities.

## ***Financing Activities***

Net cash provided by financing activities was \$260.9 million in 2011, primarily attributable to proceeds of \$587.8 million from short-term borrowings and proceeds of \$204.8 million from our long-term bank borrowings, offset by repayment of short-term bank borrowings of \$522.6 million. The increase in our short term and long term borrowings in 2011 was for the purpose of our purchases of property, plant and equipment in connection with the expansion of our solar cell and solar module manufacturing lines and investment in a new research and development center in Nanjing, China. Net cash used in financing activities was \$4.6 million in 2010, primarily due to our repayment of short-term bank borrowings in the amount of \$168.4 million, partly offset by proceeds from short-term bank borrowings in the amount of \$133.6 million and long-term bank borrowings in the amount of \$30.2 million. The increase in our short term and long term borrowings in 2010 was for the purpose of our acquisition of the two module manufactures in November 2010, purchase of property, plant and equipment in connection with the expansion of our solar cell manufacturing capacities and to fund additional working capital in anticipation of longer credit terms and cash collection cycles as a result of our switch to solar module business. Net cash provided by financing activities was \$3.0 million in 2009, primarily attributable to proceeds from short-term borrowings in the amount of \$131.0 million for the purpose of our purchases of property, plant and equipment, partly offset by repayment of bank borrowing in the amount of \$125.9 million.

## ***Capital Expenditures***

We incurred capital expenditures of \$9.9 million, \$60.7 million and \$60.7 million in 2009, 2010 and 2011, respectively. Our capital expenditures have been used primarily in investment in our research and development center, expansion of our solar cell manufacturing lines and increase of our module manufacturing capacities. We estimate that our capital expenditures in 2012 will be approximately \$80.0 million, which will be used primarily to upgrade our existing solar product manufacturing lines and expand our solar product manufacturing facilities and develop our Yangzhou manufacturing center. We intend to fund part of the capital expenditures for these plans with additional borrowings from third parties, including banks, and if any, cash from operations.

### **C. Research and Development**

Our senior management team heads our research and development efforts and sets strategic directions for the advancement of our products and manufacturing processes. Dr. Jianhua Zhao, our vice chairman and chief technology officer, and Dr. Aihua Wang, our vice president are all experienced solar power researchers. Under their guidance, our research and development plans include the following areas:

- Development of the manufacturing process for new solar cell structures. We focus our research and development efforts on the process technology of new type of solar cells. Based on Dr. Zhao and Dr. Wang's previous experience working with high efficiency solar cells, including developing what were the most efficient crystalline silicon solar cells in the world, we have successfully conducted research and a large number of experiments on solving the technical problems associated with manufacturing new types of solar cells. Focusing on improving cell conversion efficiency and enhancing manufacturing yields, we expect to deliver higher-efficiency products at a lower cost such as QSAR™ solar cell.
- Increase our solar cell manufacturing efficiency and reduce the manufacturing costs. In 2011, our research team has made a concerted effort to improve the performance of our standard HP solar cells. We also made efforts in continuously optimizing the processing parameters and conditions for each manufacturing step to streamline our manufacturing process and reduce the manufacturing costs. We are also working collaboratively with metallic paste manufacturers to reduce the paste used for our manufacturing without affecting solar cell performance. Hence, our wafer-cell non-silicon costs has been reduced to a low level of \$0.20 per watt as of December 31, 2011.

We believe that the continual improvement of our technology is vital to maintaining our long-term competitiveness. Therefore, we have established our own solar power research center and have installed an experimental manufacturing line dedicated to our research and development.

To further leverage our internal advanced research and development capability, we have established cooperative relationships with several universities and institutions in China, including Nanjing University, Southeast University and Hebei University of Technology, each a leading science and engineering university in China. We have also entered into cooperation agreement with CEEG (Nanjing) Semiconductor Co., Ltd., an entity controlled by our chairman, and Nanjing University of Aeronautics and Astronautics, one of the leading science and engineering universities in China, to jointly develop solar wafer cutting and texture technology. Besides, we have been collaborating with a number of solar cell equipment suppliers and material suppliers to test their new products, with the purpose to improve the performance of solar cells. We believe our collaborative efforts with these institutions have kept us apprised of the latest industry trends and developments, helped implement our own innovation initiatives and will continue to contribute to our technological advancement.

In addition, several government authorities in China, including, Nanjing Bureau of Finance and Nanjing Science and Technology Committee, have provided us or committed to provide us with grants for our research in solar power technologies. Jiangsu Science and Technology Department also recognized our research and development capability by establishing the photovoltaic engineering technology research center in our company, which has passed the acceptance of Jiangsu Science and Technology Department in August 2009. We have invited solar power experts from external research institutes to form the expert commission for such research center.

Our gross expenditures on research and development were \$4.4 million, \$3.3 million and \$6.7 million in 2009, 2010 and 2011, respectively.

D. Trend Information

Other than as disclosed elsewhere in this annual report, we are not aware of any trends, uncertainties, demands, commitments or events since January 1, 2011 that are reasonably likely to have a material effect on our net revenues, income, profitability, liquidity or capital resources, or that caused the disclosed financial information to be not necessarily indicative of future operating results or financial conditions.

E. Off-balance Sheet Commitments and Arrangements

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

F. Contractual Obligations and Commercial Commitments

The following table sets forth our contractual obligations and commercial commitments as of December 31, 2011:

	Payment Due by Period				
	Total	Less than	1-3 Years (in thousands)	3-5 Years	More than
		1 Year			5 Years
Operating lease obligations	2,288	1,050	1,064	57	117
Purchase obligations <sup>(1)</sup>	1,365,149	249,067	539,974	576,108	—
Convertible senior notes <sup>(2)</sup>	29,405	1,306	28,099	—	—
Long-term borrowings <sup>(3)</sup>	160,768	35,329	88,469	27,840	9,130
Total	1,557,610	286,752	657,606	604,005	9,247

- (1) Includes commitments to purchase production equipment in the amount of \$51.1 million and commitments to purchase raw materials in the amount of \$1,314.0 million calculated at prevailing market price as of December 31, 2011. Other than the contractual obligations and commercial commitments set forth above, we did not have any other material long-term debt obligations, operating lease obligations, purchase obligations or other material long-term liabilities as of December 31, 2011. This table does not reflect our short-term debt obligations, which as of December 31, 2011 totaled \$286.9 million.
- (2) Assumes redemption of \$27.5 million aggregate principal amount of 4.75% convertible senior notes due June 2013. Assumes none of the convertible senior notes have been converted into ordinary shares. This figure also includes interest payable until June 15, 2013.
- (3) Long-term borrowings have an annual interest rate of 5.55%. This figure includes the interest payable amount in connection with such long-term borrowings.

G. Safe Harbor

This annual report on Form 20-F contains statements of a forward-looking nature. These statements relate to events involving known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from those expressed or implied by the forward-looking statements. These statements are made under the “safe harbor” provisions of the Section 27A of the Exchange Act. Whenever you read a statement that is not simply a statement of historical fact (such as when we describe what we “believe,” “expect” or “anticipate” will occur, and other similar statements), you must remember that our expectations may not materialize, even though we believe that they are reasonable.

Whether actual results will conform with our expectations and predictions is subject to a number of risks and uncertainties, many of which are beyond our control, and reflect future business decisions that are subject to change. Some of the assumptions, future results and levels of performance expressed or implied in the forward-looking statements we make inevitably will not materialize, and unanticipated events affecting our results may occur.

We caution you not to place undue reliance on forward-looking statements. You should read these statements in conjunction with the risk factors disclosed in Item 3 of this annual report, “Key Information—Risk Factors.” We do not undertake any obligation to update or revise the forward-looking statements except as required under applicable law.

**ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES**

A. Directors and Senior Management

**Directors and Executive Officers**

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

<b>Directors and Executive Officers</b>	<b>Age</b>	<b>Position</b>
Tingxiu Lu	50	Chairman
Stephen Zhifang Cai	50	Director and Chief Executive Officer
Yongfei Chen	36	Chief Financial Officer
Jianhua Zhao	56	Chief Technology Officer
Shiliang Guo	48	Director
Merry Tang	52	Independent Director
Xiaoqian Zhou	71	Independent Director
Jian Li	58	Independent Director
Steve Morgan	61	Independent Director
Wenze Wang	70	Independent Director
Aihua Wang	58	Vice President and General Manager of Research and Development Division

*Directors*

*Mr. Tingxiu Lu* is chairman of our board of directors and has been with our company since 2004. Since 2009, Mr. Lu has served as chairman of the board of directors and chief executive officer of China Electric Equipment (Jiangsu) Co., Ltd., a Chinese company that mainly manufactures power transformers. Since 2003, Mr. Lu has served as a director of CEEG, a Chinese company that mainly manufactures power transformers. He has been chairman and general manager of Jiangsu CEEG Transformer Manufacturing Co., Ltd. since 2002, and has been a member of the supervisory board of Jiangsu CEEG Electrical Transmission and Distribution Equipment Co., Ltd. since 2003. Mr. Lu has been chairman of Jiangsu Xinde Assets Management Co., Ltd. and Nanjing Xinde Assets Management Co., Ltd., two investment management and investment holding companies, since 2006. From 1991 to 2003, Mr. Lu was the general manager of Jiangsu CEEG Electrical Equipment Manufacturing Co, Ltd, the predecessor of CEEG. Mr. Lu was awarded the China Excellent Entrepreneur award by the China Entrepreneur Confederation in 2005. He was also named as a 2005 Top Ten Distinguished Youth Entrepreneur of Jiangsu Province in 2005 by Jiangsu Province Development and Reform Commission and other government bodies. Mr. Lu graduated from an executive business management program at Tsinghua University in 2006.

*Mr. Stephen Zhifang Cai* has been our chief executive officer since March 2010 and our director since April 2010. Mr. Cai has served as a director of CEEG since March 2008, and served as vice president of CEEG and chief executive officer of CEEG PV Business from March 2008 to March 2010. From 2007 to 2010, he also served as the chairman of SST, an entity formerly controlled by our chairman that we acquired in November 2010. Mr. Cai has also served as a director of Shanghai X-fort Composite Material Co., Ltd., a China based composite material manufacturer, since 2008. From 1992 to 2006, Mr. Cai served in several management roles within DuPont China Group Co., Ltd., including general manager of the safety and protection business of Asia-Pacific area (east Asia region), leader of DuPont China's Aramid fiber project and general manager of advanced fiber business for Greater China. Mr. Cai received a bachelor's degree in Chemical Fiber from the East China Institute of Textile Science and Technology in 1982. He also received an MBA from Fudan University in 2002.

*Mr. Yongfei Chen* has been our chief financial officer since January 12, 2012. He was our acting chief financial officer since November 2010. From 2003 to 2010, Mr. Chen worked in CEEG with his last role as the general manager of the finance department. Prior to that, he was an accountant at Yangzhong Sub-branch of China Construction Bank from 1997 to 2002. Mr. Chen graduated from Yanshan University with a major in industrial management engineering in 1997. He is currently a PRC Certified Public Accountant.

*Dr. Jianhua Zhao* is chief technology officer of our company and has been with our company since 2004. From 2002 to June 2006, he was an associate professor of the Centre of Excellence for Advanced Silicon Photovoltaics and Photonics, formerly known as the Photovoltaics Special Research Centre, at the University of New South Wales in Australia, and also served as its deputy director from 1999 to June 2006. At the Photovoltaics Special Research Centre, he was a senior lecturer (senior research fellow) from 1991 to 2001. Dr. Zhao is a senior member of IEEE Electron Device Society, a member of Australia and New Zealand Solar Energy Society and a member of Chinese Renewable Energy Society. Dr. Zhao graduated from Nanjing Institute of Technology in 1978 and received his master's degree from the same university in 1982, and received a Ph.D. degree in electrical engineering from the University of New South Wales in Australia in 1989. Dr. Zhao started solar research in 1979 and has published 65 papers in scientific journals, including one published in Nature magazine, 111 papers in international scientific conferences, and 32 research reports. Dr. Zhao is the husband of Dr. Aihua Wang.

*Mr. Shiliang Guo* has been a director of our company since May 2009. Mr. Guo once served as a director of our company from May 2006 to July 2007 and he served as our acting chief financial officer from May to October 2009. Since 2009, Mr. Guo has served as the vice president and chief financial officer of China Electric Equipment (Jiangsu) Co., Ltd. Mr. Guo has also served as a director of CEEG since 2008 and the chief financial officer of CEEG from 2004 to 2009. From 1993 to 2004, Mr. Guo served as chief accountant with Yangzhou Zhengxin Certified Public Accountant Co., Ltd., Yangzhou Xingda Certified Public Accountant Co., Ltd. and Yangzhong Certified Public Accountant Co., Ltd., respectively. Mr. Guo received a bachelor's degree in finance from Suzhou University in 1984. He obtained the qualification of PRC Certified Public Accountant in 1993.

#### *Independent Directors*

*Ms Merry Tang* has been an independent director of our company since June 2008. She is currently a principal and managing partner of GTZY CPA Group, LLC. Ms. Tang served a managing director at GTA International, LLC and Partner at Tang & Company, PC – both U.S.-based CPA firms offering services in risk assessment, audit engagements and Sarbanes-Oxley-related documentation to leading banks, financial service providers and telecommunications firms from 2006 to 2008. Prior to that, Ms. Tang gained “Big 4” experience at PricewaterhouseCoopers LLP where she served as senior auditor and engaged in various high profile clients’ financial and IT audits from 2004 to 2006. Ms. Tang also worked at Lucent Technologies, Inc. as a finance manager from 1996 to 2004. Ms. Tang graduated from the Central University of Finance & Banking, Beijing, China with a bachelor degree in banking in 1983 and an master degree in Finance in 1986, before going on to receive her master degree in accounting from the State University of New York at Albany in 1993.

*Mr. Xiaoqian Zhou* has been an independent director of our company since May 2007. Mr. Zhou is an independent director of Tebian Electric Appliance Stock Co., Ltd. He is a vice director of Chinese Energy Research Society and honorary chairman of the Chinese Society for the Development of Power. Mr. Zhou has over 40 years of experience in the power industry in China. He was a consultant to the State Grid Corporation of China from 2001 to 2004, and was an assistant general manager of the same company from 1998 to 2001. From 1996 to 1999, Mr. Zhou was the general manager of China Grid Construction Co., Ltd. Mr. Zhou graduated from Zhejiang University with a major in thermal power equipment in 1964.



*Ms. Jian Li* has been an independent director of our company since May 2008. Ms. Li has worked in education with the Central University of Finance and Economics since 1983. Ms. Li is a professor, the head of department of finance, a doctoral supervisor and a supervisor of postdoctoral research station of Central University of Finance and Economics. She is also an independent director of Citic Securities Co., Ltd., a company listed on the Shanghai Stock Exchange. Ms. Li has been involved in the publishing of a number of academic papers both in China and overseas during the past ten years, mainly on finance and the capital markets. Ms. Li received her bachelor's degree in finance and doctor's degree in economics from the Central University of Finance and Economics and Xi'an Communication University in 1983 and 1997, respectively.

*Mr. Steve Morgan* has been an independent director of our company since May 2008. Mr. Morgan was foreign legal advisor for Zhonglun W&D Law Firm in Beijing from 2007 to January 2010. Mr. Morgan was a special advisor on a number of projects for the Carlyle Group, Mitsubishi Corporation and Finmeccanica SpA. from 2004 to 2006, and was appointed as a Visiting Professor of the Graduate Business School of Seoul National University in 2007. From 2000 to 2004, he served as senior executive vice president for Hyundai Motor Company in Seoul and served in other executive positions in Hyundai group companies since 1998. Mr. Morgan graduated from Fordham College, New York, with a bachelor degree in political science in 1973 and received his Juris Doctorate from Northwestern University School of Law in 1976.

*Mr. Wenze Wang* has been our independent director since May 2008. Mr. Wang was an executive vice chairman of China Investment Association from 2002 to 2009. Mr. Wang was the Commissioner of the Finance and Economics Committee of the National People's Congress from 2003 and resigned from this role in March 2008. From 1994 to 2003, Mr. Wang served as general manager of the State Development and Investment Corporation. Mr. Wang graduated from Shandong Technical College with a bachelor's degree in thermal power in 1965.

#### *Executive Officers*

*Dr. Aihua Wang* is a vice president and general manager of our company in charge of research and development and has been with our company since 2004. From 2000 to June 2006, she was a research fellow at the Centre of Excellence for Advanced Silicon Photovoltaics and Photonics, formerly known as the Photovoltaics Special Research Centre, at the University of New South Wales in Australia. At the Photovoltaics Special Research Centre, she was a project scientist from 1991 to 2000. She was an engineer at Applied Solar Energy, Inc. in California from 1990 to 1991. Dr. Wang published a number of research articles and papers on solar cells. Dr. Wang graduated from Nanjing Institute of Technology in China in 1978 and received a Ph.D. degree in electrical engineering from the University of New South Wales in Australia in 1992.

The address of our directors and executive officers is c/o China Sunergy Co., Ltd., No. 123 Focheng West Road, Nanjing Jiangning Economic & Technical Development Zone, Nanjing, Jiangsu Province 211100, People's Republic of China.

#### **B. Compensation of Directors and Executive Officers**

For the year ended December 31, 2011, the aggregate cash compensation that we paid to our executive officers was RMB7.3 million (approximately \$1.2 million). There are no service contracts between us and our directors, except for those directors who are also our executive officers. For the year ended December 31, 2011, we paid an aggregate of RMB0.1 million (approximately \$18,825) for pension and other social insurance contribution for our senior executive officers. For option grants to our officers and directors, see Item 6, "Directors, Senior Management and Employees—Compensation of Directors and Executive Officers—Share Incentive Plan."

#### **Employment Agreements**

We have entered into employment agreements with each of our executive officers. Under these agreements, each of our executive officers is employed for a specified time period. We may terminate the employment for cause, at any time, without remuneration, for certain acts of the employee, including but not limited to a conviction or plea of guilty to a felony, willful dishonesty to us and willful and continued failure to perform substantially all his agreed-to duties after a reasonable opportunity to cure the failure. An executive officer may terminate his employment at any time without penalty if there is any failure by us to comply with any material provisions of the employment agreement, any change in his duties or responsibilities in any material and adverse respect. Furthermore, either party may terminate the employment at any time without cause upon advance written notice to the other party. If we terminate the employment of an executive officer without cause, the executive officer will be entitled to a severance payment equal to a certain specified number of months of his or her then base salary.

Each executive officer has agreed to hold in confidence and not to use, except as required in the performance of his duties in connection with the employment, any confidential information relating to the business of our company, affiliates or customers. The executive officers have also agreed to disclose to us all inventions, designs and trade secrets which they conceive, develop or reduce to practice during the employment and to assign all right, title and interest in them to us.

## Share Incentive Plan

In October 2006, our board of directors adopted a share incentive plan, or the First Plan, later amended in April 2007 and May 2009, respectively, to link the personal interests of our board members, employees and consultants to those of our shareholders by providing them with an incentive to generate superior returns for our shareholders, as well as to provide us with the flexibility to motivate, attract and retain the services of these individuals upon whose judgment, interest and special effort the successful conduct of our operations is dependent. The First Plan provides for the grant of options, referred to as “awards,” and we have reserved 2,500,000 shares for issuance under the First Plan. We adopted a second share incentive plan, or the Second Plan, after obtaining the approval by shareholders in February 2008. We have reserved 4,190,748 shares for issuance under the Second Plan. As of December 31, 2011, our board of directors has granted certain of our officers, employees and consultants an aggregate of 1,048,324 options and 2,996,896 restricted shares, excluding options and restricted shares forfeited pursuant to the above plans.

*Administration.* Our share incentive plans are administered by our compensation committee or, in its absence, by our board of directors. Our compensation committee will determine the provisions, terms and conditions of our awards.

*Awards.* Awards granted are evidenced by an award agreement that sets forth the terms, conditions and limitations for each award. Our First Plan only provides for awards in the form of options. Options provide for the right to purchase our ordinary shares at a specified price, and usually will become exercisable in installments after the grant date. The option exercise price may be paid in cash, by check, by our ordinary shares which have been held by the option holder for such time as may be required to avoid adverse accounting treatment, by other property with value equal to the exercise price, through a broker assisted cash-less exercise or by such other methods as our compensation committee or board of directors may approve from time to time.

The following paragraphs briefly describe the principal features of the various awards that may be granted under the Second Plan.

- *Options.* Options provide for the right to purchase our ordinary shares at a price and period determined by our compensation committee in one or more installments after the grant date.
- *Restricted Shares.* A restricted share award is the grant of our ordinary shares determined by our compensation committee. A restricted share is nontransferable, unless otherwise determined by our compensation committee at the time of award, and may be repurchased by us upon termination of employment or service during a restricted period. Our compensation committee shall also determine in the award agreement whether the participant will be entitled to vote the restricted shares or receive dividends on such shares.
- *Restricted Share Units.* Restricted share units represent the right to receive our ordinary shares at a specified date in the future, subject to forfeiture of such right. If the restricted share unit has not been forfeited, then on the date specified in the award agreement, we shall deliver to the holder unrestricted ordinary shares which will be freely transferable.
- *Termination of Plan.* Unless terminated earlier, our First Plan and Second Plan will expire in 2016 and 2018, respectively. Our board of directors has the authority to amend or terminate our share incentive plans subject to shareholder approval to the extent necessary to comply with applicable law. However, no such action may impair the rights of any recipient of the awards unless agreed by the recipient and the share incentive plan administrator.

The following table summarizes, as of December 31, 2011, the outstanding options granted under our plans to several of our directors and executive officers and to other individuals. We have two types of vesting schedules for options. A substantial portion of options vest over a four-year period beginning in October 2006, April 2007, January 2008, February 2008, June 2008 or January 2009. Other options vest on the first anniversary of the grant date. All restricted shares granted under our plans have either been vested or forfeited. These restricted shares vested over a three year period beginning July 2007.

Name	Ordinary Shares Underlying Options	Restricted Shares	Exercise Price	Grant Date	Date of Expiration
	Granted				
Xiaoqian Zhou	100,800		\$ 1.283	April 2007	April 2017
Other individuals as a group	475,942		\$ 1.283	October 2006, April 2007, January 2008 or January 2009	October 2016, April 2017, January 2018 or January 2019
	100,002		\$ 0.70	January 2009	January 2014

## C. Board Practices

### **Board of Directors**

Our board of directors currently has nine directors, all designated by the holders of our ordinary shares. As of the date of this annual report, a majority of our directors meet the “independence” definition under The Nasdaq Stock Market Marketplace Rules, or the Nasdaq Rules.

Under our amended and restated articles of association, which became effective in May 2007, our board of directors consists of at least two directors. Our directors are elected by the holders of our ordinary shares.

A director is not required to hold any shares in the company by way of qualification. A director may vote with respect to any contract, proposed contract or arrangement in which he is materially interested. A director may exercise all the powers of the company to borrow money, mortgage its undertakings, property and uncalled capital, and issue debentures or other securities whenever money is borrowed or pledged as security for any obligation of the company or of any third party. Upon the completion of our initial public offering in May 2007, we established three committees under the board of directors: the audit committee, the compensation committee and the nominating committee. We have adopted a charter for each committee.

### **Committees of the Board of Directors**

We have established three committees under the board of directors: the audit committee, the compensation committee and the corporate governance and nominating committee. We have adopted a charter for each of the three committees. Each committee’s members and functions are described below.

*Audit Committee.* Our audit committee consists of Ms. Merry Tang, Mr. Steve Morgan and Ms. Jian Li and is chaired by Ms. Merry Tang. Ms. Tang, Mr. Morgan and Ms. Li satisfy the independence requirements of Rule 10A-3 under the Exchange Act, as amended, and Rule 5605 of the Nasdaq Rules. The audit committee oversees our accounting and financial reporting processes and audits of the financial statements of our company. The audit committee is responsible for, among other things:

- selecting the independent auditors and pre-approving all auditing and non-auditing services permitted to be performed by the independent auditors;
- reviewing with the independent auditors any audit problems or difficulties and management’s response;
- reviewing and approving all proposed related party transactions, as defined in Item 404 of Regulation S-K under the Securities Act;
- discussing the annual audited financial statements with management and the independent auditors;

- reviewing major issues as to the adequacy of our internal controls and any special audit steps adopted in light of material control deficiencies; and
- meeting separately and periodically with management and the independent auditors.

*Compensation Committee.* Our compensation committee consists of Ms. Jian Li, Mr. Wenze Wang and Mr. Xiaoqian Zhou. Ms. Li, Mr. Wang and Mr. Zhou satisfy the independence requirements of Rule 5605 of the Nasdaq Rules. The compensation committee assists the board in reviewing and approving the compensation structure, including all forms of compensation, relating to our directors and executive officers. Our chief executive officer may not be present at any committee meeting during which his compensation is deliberated. The compensation committee is responsible for, among other things:

- reviewing and approving the total compensation package for our senior executives; and
- reviewing periodically and approving any long-term incentive compensation or equity plans, programs or similar arrangements, annual bonuses, employee pension and welfare benefit plans.

*Corporate Governance and Nominating Committee .* Our corporate governance and nominating committee consists of Mr. Wenze Wang, Ms. Jian Li and Mr. Xiaoqian Zhou. Mr. Wang, Ms. Li and Mr. Zhou satisfy the independence requirements of Rule 5605 of the Nasdaq Rules. The corporate governance and nominating committee assists the board of directors in selecting individuals qualified to become our directors and in determining the composition of the board and its committees. The corporate governance and nominating committee is responsible for, among other things:

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

## **Duties of Directors**

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

## **Terms of Directors and Officers**

Our shareholders have designated our directors into three classes, namely Class A directors, Class B directors and Class C directors, who shall retire from office and be eligible for re-election at the first, second and third annual general meeting after our initial public offering, respectively. Mr. Tingxiu Lu, Ms. Jian Li and Mr. Stephen Zhifang Cai have been designated as Class A directors. Mr. Jianhua Zhao, Mr. Steve Morgan and Ms. Merry Tang have been designated as Class B directors. Mr. Xiaoqian Zhou, Mr. Wenze Wang and Mr. Shiliang Guo have been designated as Class C directors. At each subsequent annual general meeting after the third annual general meeting, the directors of the class who have been longest in office shall retire and shall be eligible for re-election. A director may only be removed by the shareholders. Officers are elected by and serve at the discretion of the board of directors.

## **D. Employees**

We had 1,848 and 3,599 employees as of December 31, 2009 and 2010, respectively. As of December 31, 2011, we had 1,627 full-time employees, consisting of 953 in manufacturing, 198 in equipment maintenance, 95 in quality assurance, 27 in purchasing, 93 in research and development, 82 in sales and marketing and 179 in general and administrative. Our employees are not covered by any collective bargaining agreement. We consider our relations with our employees to be good.

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

E. Share Ownership

The following table sets forth information, some of which has been obtained from public filings, with respect to the beneficial ownership of our ordinary shares as of March 31, 2012, by:

- each of our directors and executive officers who are also our shareholders; and
- each person known to us to own beneficially more than 5.0% of our ordinary shares.

	Ordinary Shares Beneficially Owned	
	Number <sup>(1)</sup>	% <sup>(2)</sup>
<b>Directors and Executive Officers:</b>		
Tingxiu Lu <sup>(3)</sup>	74,403,234	27.8
Jianhua Zhao <sup>(4)</sup>	15,900,000	5.9
Aihua Wang <sup>(4)</sup>	15,900,000	5.9
Xiaoqian Zhou <sup>(5)</sup>	*	*
All Directors and Executive Officers as a Group	90,404,034	33.8
<b>Principal Shareholders:</b>		
Elite Shine Group Limited <sup>(6)</sup>	74,403,234	27.8
Credit Suisse AG <sup>(7)</sup>	34,234,200	12.8
Exuberance Investment Limited <sup>(8)</sup>	32,678,274	12.2
Brightest Power Holdings Limited <sup>(9)</sup>	15,900,000	5.9
PraxCapital Fund II, L.P <sup>(10)</sup>	16,043,934	6.0

\*Less than 1%.

- (1) Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission, or SEC, and includes voting or investment power with respect to the securities.
- (2) For each person and group included in this table, percentage ownership is calculated by dividing the number of shares beneficially owned by such person or group by 267,287,253, being the number of ordinary shares outstanding as of March 31, 2012 plus the number of ordinary shares underlying share options held by such person or group that are exercisable within 60 days after March 31, 2012.
- (3) Includes 39,184,200 ordinary shares ,beneficially owned by Elite Shine Group Limited, a British Virgin Islands company, which is 100% owned by Mr. Lu. The business address for Mr. Lu is No. 123 Focheng West Road, Nanjing Jiangning Economic & Technical Development Zone, Nanjing, Jiangsu Province 211100, People's Republic of China. Elite Shine Group Limited has entered into certain share pledge agreement in September 2009 with a Chinese bank. Pursuant to the share pledge agreement, 9,184,200 of our ordinary shares beneficially owned by Elite Shine Group Limited, or the Pledged Shares, were pledged to such Chinese bank to secure a syndicated loan arranged by it to a company controlled by Mr. Lu. The share pledge agreement does not grant the Chinese bank the power to vote or to direct the vote of the Pledged Shares, or, prior to default, the power to dispose or to direct disposition of the Pledged Shares.

- (4) Includes 15,900,000 ordinary shares, beneficially owned by Brightest Power Holdings Limited, a British Virgin Islands company, which is 100% owned by Dr. Zhao and Dr. Wang. Dr. Zhao and Dr. Wang are husband and wife, and their business address is No. 123 Focheng West Road, Nanjing Jiangning Economic & Technical Development Zone, Nanjing, Jiangsu Province 211100, People's Republic of China.
- (5) Represents ordinary shares issued and issuable upon exercise of options held by Mr. Zhou. Mr. Zhou's address is No. 123 Focheng West Road, Nanjing Jiangning Economic & Technical Development Zone, Nanjing, Jiangsu Province 211100, People's Republic of China.
- (6) Elite Shine Group Limited is 100% owned by Mr. Lu. The address of Elite Shine Group Limited is P.O. Box 957, Offshore Incorporation Centre, Road Town, Tortola, British Virgin Islands.
- (7) Based on a Schedule 13G Amendment No. 3 filed by Credit Suisse AG on February 13, 2012, this represents the shares that may be deemed to be beneficially owned by Credit Suisse AG and includes 32,678,274 shares that China Harvest Fund, L.P. beneficially owns because of Credit Suisse AG's relationship to China Harvest Fund, L.P.. Credit Suisse AG disclaims beneficial ownership of these 32,678,274 shares. The ultimate parent company of Credit Suisse AG is Credit Suisse Group AG, a corporation formed under the laws of Switzerland. Credit Suisse Group AG disclaims beneficial ownership of shares beneficially owned by its direct or indirect subsidiaries, including Credit Suisse AG. Credit Suisse AG's business address is Uetlibergstrasse 231, P.O. Box 900, CH 8070 Zurich, Switzerland. See footnote 8 for additional discussion of these shares.
- (8) Based on a Schedule 13G filed by Exuberance Investment Limited on February 14, 2008, this represents 32,678,274 ordinary shares held by Exuberance Investment Limited, a British Virgin Islands company, with the registered address at P.O. Box 173, Kingston Chambers, Road Town, Tortola, British Virgin Islands. Exuberance Investment Limited is 97.83% owned by China Harvest Fund, L.P., a Cayman Islands exempted limited partnership, and 2.17% owned by China Harvest Parallel Fund I, L.P., a Cayman Islands exempted limited partnership, each with the registered address at the offices of M&C Corporate Services Limited, P.O. Box 309GT, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands. The general partner of China Harvest Fund, L.P. and China Harvest Parallel Fund I, L.P. is China Renaissance Capital Investment, L.P., a Cayman Islands exempted limited partnership. Voting and investment power of shares beneficially held by China Harvest Fund, L.P. is exercised by the investment committee of China Renaissance Capital Investment, L.P. which consists of Mark Qiu, Hung Shih, Li Zhenzhi, Charles Pieper and Nicole Arnaboldi. The address for these committee members is c/o China Renaissance Capital Investment, L.P., M&C Corporate Services Limited, P.O. Box 309GT, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands.
- (9) Brightest Power Holdings Limited is 100% owned by Dr. Zhao and Dr. Wang. The address of Brightest Power Holdings Limited is P.O. Box 957, Offshore Incorporation Centre, Road Town, Tortola, British Virgin Islands.
- (10) Based on a Schedule 13G Amendment No. 1 filed by PraxCapital Fund II, L.P. on February 13, 2009, this represents 16,043,934 ordinary shares held by PraxCapital Fund II, L.P., a Cayman Islands limited partnership, with the registered address at P.O. Box 309GT, Ugland House, South Church St., George Town, Grand Cayman. The general partner of PraxCapital Fund II, L.P. is Prax Capital GP II, a Cayman Islands company. Prax Capital GP II is controlled by its board of directors, consisting of Jose Luis Artiga, Fernando R. Vila, Jeff Jie-Ping Yao and Lei Xu. The address of Jose Luis Artiga is Chalet Augusta No. 2, 3963 Crains-Sur-Sierre, Switzerland. The address of Fernando R. Vila is 1001 Brickell Bay Drive, Suite 2402, Miami, Florida, 33131. The address of each of Jeff Jie-Ping Yao and Xu Lei is 333 Huai Hai Middle Road, Suite 1701, Shanghai, People's Republic of China, 200021.

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

## **ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS**

### **A. Major Shareholders**

See Item 6, "Directors, Senior Management and Employees — Share Ownership."

**B. Related Party Transactions**

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

In August 2006, Sunergy Nanjing entered into an agreement to lease warehouse premises of 3,574 square meters from CEEG (Nanjing) Special Transformer Co., Ltd., or CST, an entity controlled by our chairman, for a term until September 2011, and has renewed such agreement for a term from October 2011 to September 2014. The renewed tenancy agreement provides for annual rental payments of RMB514,621 (approximately \$81,765).

In November 2010, NRE entered into an agreement to lease manufacturing site area, warehouse premises and ancillary premises of approximately 27,500 square meters from CST for a term until April 2011. The tenancy agreement provides for annual rental payments of RMB4.0 million (approximately \$0.6 million). In March 2011, NRE entered into agreements with CST to purchase manufacturing site and ancillary premises of approximately 25,000 square meters, which is among the total of 27,500 square meters that we previously leased under the lease agreement described above, for a consideration of RMB50.2 million (approximately \$8.0 million). Since then, NRE renewed the tenancy agreement to lease from CST the remained warehouse premises that we previously leased under the lease agreement described above for a term from May 2011 to April 2014. The renewed tenancy agreement provides for annual rental payments of RMB422,151 (approximately \$67,073).

In 2010, we paid approximately \$5.6 million to CST for NRE's purchase of a parcel of land of approximately 77,565 square meters in Nanjing. As of December 31, 2011, we had payment balance due from CST of approximately \$5.6 million.

In 2011, we sold solar modules to CEEG Nanjing International Trade Co., Ltd., an entity controlled by our chairman, in the amount of approximately \$4,682. As of December 31, 2011, we had a trade-related balance of nil with CEEG Nanjing International Trade Co., Ltd.

In 2011, we sold solar power products to CEEG (Nanjing) Solar Research Institute, an entity controlled by our chairman, in the amount of \$10.1 million. In December 2009, we entered into an agreement with CEEG (Nanjing) Solar Research Institute, pursuant to which CEEG (Nanjing) Solar Research Institute will supply certain equipment and provide technology services to us at a consideration of RMB33.0 million (approximately \$5.2 million) in connection with the building of an integrated photovoltaic system to be installed in our Nanjing facilities. We purchased equipment and technology services in the amount of approximately \$0.8 million from CEEG (Nanjing) Solar Research Institute under this agreement in 2011. As of December 31, 2011, we had a balance of nil with CEEG (Nanjing) Solar Research Institute.

In 2011, we purchased wafers from CEEG (Nanjing) Semiconductor Co., Ltd., an entity controlled by our chairman, in the amount of \$73.4 million. We also entered in to a three-year wafer purchase contract with CEEG (Nanjing) Semiconductor Co., Ltd., according to which we will purchase three million pieces of silicon wafers per month from CEEG (Nanjing) Semiconductor Co., Ltd. In 2011, we also sold solar cells and silicon raw materials to CEEG (Nanjing) Semiconductor Co., Ltd. in the amount of \$15,609. As of December 31, 2011, we had a payable balance of approximately \$31.9 million to CEEG (Nanjing) Semiconductor Co., Ltd., which related to our purchase of silicon raw materials.

In 2011, we sold solar modules to CEEG (Hong Kong) Co., Limited, an entity controlled by our chairman, in the amount of \$36,250. As of December 31, 2011, we had a payable balance of approximately \$5,619 to CEEG (Hong Kong) Co., Limited, which related to the prepayment paid by CEEG (Hong Kong) Co., Limited for its purchase of solar modules.

In 2011, we purchased non-silicon raw materials from CEEG (Jiangsu) Insulative New Materials Co., Ltd., an entity controlled by our chairman, in the amount of \$21,670. As of December 31, 2011, we had a payable balance of \$11,640 to (Jiangsu) Insulative New Materials Co., Ltd., which related to our purchase of non-silicon raw materials.

In June 2011, CEEG and Sunergy Nanjing entered into a certain loan agreement under which CEEG borrowed a loan of RMB500.0 million (approximately \$79.4 million) with a term of three years from June 27, 2011 to June 28, 2014, with an interest rate comparable to a bank loan over the same period. Such loan was made for the purpose of funding the co-investment by Sunergy Nanjing and China Sunergy (Hong Kong) Co., Limited. in the 1 GW solar cells expansion project in Yangzhou, Jiangsu Province, China. As of December 31, 2011, we have fully repaid such loans.

CEEG and Sunergy Nanjing entered into an agreement on May 16, 2008 under which CEEG agreed to guarantee free of charge bank borrowings by Sunergy Nanjing of up to RMB1 billion (approximately \$158.9 million). This agreement has an initial term of two years from May 17, 2008 to May 16, 2010, and we renewed this agreement in April 2010 to extend the term to May 31, 2011. We and CEEG further undertook to guarantee the bank borrowings for up to RMB2.5 billion (approximately \$397.2 million) and extended the term of this agreement to December 31, 2015.

In May 2011, Jiangsu Xinde Asset Management Co., Ltd. entered into a guarantee agreement with Bank of Communications to guarantee our bank borrowings from May 2011 to May 2012 for up to RMB156.0 million (approximately \$24.8 million), and another guarantee agreement with Bank of Communications to guarantee our bank borrowings from May 2011 to May 2012 for up to RMB240.0 million (approximately \$38.1 million). In January 2011, Jiangsu Xinde Asset Management Co., Ltd. entered into a guarantee agreement with Evergrowing Bank to guarantee our bank borrowings from January 2011 to January 2012 for up to RMB90.0 million (approximately \$14.3 million). In February 2012, Jiangsu Xinde Asset Management Co., Ltd. entered into a guarantee agreement with Evergrowing Bank to guarantee our bank borrowings from February 2012 to February 2013 for up to RMB110.0 million (approximately \$17.5 million).

As of December 31, 2011, approximately \$76.7 million of our short-term bank borrowings have been guaranteed by Mr. Tingxiu Lu, our chairman, CEEG, an entity controlled by our chairman, and Jiangsu CEEG Electrical Equipment Manufacturing Co., Ltd., an entity controlled by our chairman. Approximately \$31.7 million of our short-term bank borrowings have been guaranteed by Bank of Nanjing and CEEG. Approximately \$20.6 million of the short-term bank borrowings have been guaranteed by CEEG and Jiangsu Xinde Asset Management Co., Ltd, an entity controlled by our chairman. Approximately \$9.3 million short-term borrowing has been guaranteed by Jiangsu Xinde Asset Management Co., Ltd. As of December 31, 2011, approximately \$39.7 million of the long-term bank borrowings have been guaranteed by Bank of Nanjing and CEEG.

### **Employment Agreements**

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

### **Share Incentive Plan**

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

### **Related Party Transaction Policy**

We adopted an audit committee charter and a related party transaction policy, which require that the audit committee review all related party transactions on an ongoing basis and all such transactions be approved or ratified by the committee.

#### **C. Interests of Experts and Counsel**

Not applicable.

## **ITEM 8. FINANCIAL INFORMATION**

#### **A. Consolidated Statements and Other Financial Information**

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

### **Legal Proceedings**

We are a named defendant in three purported class actions currently pending in the United States District Court for the Southern District of New York—Brown v. China Sunergy Co., Ltd. et al., Case No. 07-CV-07895 (DAB), Sheshtawy v. China Sunergy Co., Ltd. et al., Case No. 07-CV-08656 (DAB), and Giombetti v. China Sunergy Co., Ltd. et al., Case No. 07-CV-09689 (DAB). On September 29, 2008, the District Court appointed a lead plaintiff and consolidated the three cases. The lead plaintiff filed a consolidated amended complaint on December 8, 2008.



The consolidated amended complaint purports to state class action claims against us in connection with our initial public offering and seeks unspecified damages. Specifically, the lead plaintiff alleges that we made false and misleading statements in our initial public offering registration statement and prospectus regarding, among other things, the procurement of polysilicon.

Several of our directors and officers, along with the investment banks that underwrote our initial public offering, are also named defendants in the cases. On January 26, 2009, the defendants filed a motion to dismiss the consolidated amended complaint. Briefing on the motion was completed on May 1, 2009. Defendants' motion remained outstanding when, on July 14, 2009, the parties reached an agreement in principle to settle the dispute in its entirety. On May 12, 2011, the Court held a final hearing and issued a final judgment for each of the three filed cases, dismissing each case with prejudice and approving the settlement and plan of allocation. On May 13, 2011, the Court issued its final order and the case was closed. All payments of US\$1.1 million pursuant to the settlement have been made by our insurers.

In September 2009, we filed a petition with the Salten District Court seeking injunction with regard to a \$50 million bank guarantee, which is a security for our payment obligation under a long term supply contract entered into between REC SiTech AS and us in June 2008. The contract stipulates that REC SiTech AS will supply us monocrystalline 156-millimeter wafers for a seven year period between 2009 and 2015. Without obtaining our written consent as the contract requires, REC SiTech AS merged into REC Wafer upon its dissolution on January 1, 2009. Subsequently, the bank guarantee was not renewed. REC Wafer claimed that the non-renewal of the bank guarantee was a breach of contract which according to the supply contract is the basis for the drawdown of the bank guarantee, and it sought to draw on the bank guarantee. After a Norwegian Supreme Court ruling on this case in 2010 the injunction was granted and REC Wafer was prohibited from drawing on the bank guarantee. Separately we filed a lawsuit against REC Wafer with the People's High Court of Jiangsu Province, China. The Court in China has issued an injunction to the related banks to forbid these banks from making payments related to the bank guarantee. In April 2010, the People's High Court of Jiangsu Province rejected REC Wafer's dissent of jurisdiction after an oral hearing. In the ruling made by the Supreme Court of the People's Republic of China on November 5, 2010, the Court denied the appeal filed by REC Wafer and made the final and binding decision that the Jiangsu Higher Court shall have Jurisdiction over the case.

The injunction in Norway was followed by a writ of Certiorari where we claimed that REC Wafer was not, and had not been, a party to the contract entered into between REC SiTech AS and us in 2008. In June 2011 the Hålogaland Court of Appeal in Norway ruled in favor of us. The ruling from the Court of Appeal was consistent with the Norwegian Supreme Court ruling in 2010. Thereafter, REC decided to appeal the last ruling to the Supreme Court of Norway.

On October 17, 2011, we entered into a settlement agreement with REC Wafer to settle all disputes between REC Wafer and us. On October 28, 2011, we made a settlement payment to REC Wafer. The settlement amount has very limited impact on our profitability. Simultaneously REC Wafer released the US\$50 million bank guarantees related to the contract between REC SiTech AS and us in 2008.

On March 20, 2012, DOC's preliminary countervailing duty determination was issued with an average countervailing duty rate of 3.61% assigned to China Sunergy solar cells produced in China that are imported, including as part of modules or panels, into the United States. The DOC also preliminarily determined that the countervailing and anti-dumping duty investigations apply only to solar cells made in China, as well as panels and modules, regardless of where manufactured, incorporating such cells. The investigations would not apply to panels or modules made in China from solar cells manufactured in a third country. We were not selected as a mandatory respondent to the anti-dumping investigation and participated in this case as a separate rate respondent. The DOC preliminary anti-dumping determination is due in May of 2012. The DOC determinations trigger deposit requirements at the preliminary rates on imports into the United States. Substantial import deposit requirements resulting from the preliminary or final determinations would impose a retroactive requirement to make deposits, which could be substantial, as to our affiliated U.S. import operations and increase our cost of selling into the United States and thus could adversely impact our export sales to the United States, which is one of our growing markets.

On December 12, 2011, SolarMax filed a complaint in the Superior Court of the State of California County of Los Angeles against us and our subsidiaries. The complaint alleged a breach of contract and intentional misrepresentation in connection with solar modules purchased by SolarMax from us and sought compensatory and actual damages in excess of US\$20 million, punitive damages and attorneys' fees and costs. China Sunergy (US) Clean Tech Inc. was served with a summons and complaint in January 2012. In February 2012, we filed a motion to compel arbitration through the China International Economic and Trade Arbitration Commission as required by the contract terms. On March 28, 2012, the parties entered into an agreement whereby plaintiff would voluntarily dismiss the complaint without prejudice in exchange for a mutual waiver of attorney fees and costs. On April 4, 2012, the request for dismissal was entered and the case has now been dismissed.

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

### **Dividend Policy**

We have never declared or paid any dividends, nor do we have any present plan to pay any cash dividends on our ordinary shares in the foreseeable future. We currently intend to retain most, if not all, of our available funds and any future earnings to operate and expand our business.

We are a holding company incorporated in the Cayman Islands. We rely on dividends paid by our direct and indirect subsidiaries, Sunergy BVI, Sunergy Hong Kong and Sunergy Nanjing, for our cash needs, including the payment of dividends to the holders of our ADSs and debt service on any debt we may incur through our Cayman holding company. The payment of dividends by entities organized in China is subject to limitations. Regulations in the PRC currently permit payment of dividends only out of accumulated profits as determined in accordance with PRC accounting standards and regulations. Sunergy Nanjing is also required to set aside at least 10% of its after-tax profit based on PRC accounting standards each year to its general reserves until the cumulative amount of such reserves reaches 50% of its registered capital. These reserves are not distributable as cash dividends. Sunergy Nanjing is also required to allocate a portion of its after-tax profits, as determined by its board of directors, to its staff welfare and bonus funds, which may not be distributed to equity owners. In addition, if Sunergy Nanjing or Sunergy BVI incurs debt on its own behalf in the future, the instruments governing the debt may restrict its ability to pay dividends or make other distributions to us.

Our board of directors has complete discretion on whether to pay dividends, subject to the approval of our shareholders. Even if our board of directors decides to pay dividends, the form, frequency and amount will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that the board of directors may deem relevant. Any dividend we declare will be paid to the holders of ADSs, subject to the terms of the deposit agreement, to the same extent as holders of our ordinary shares, subject to the terms of the deposit agreement, including the fees and expenses payable under. Cash dividends on our ordinary shares, if any, will be paid in U.S. dollars.

### **B. Significant Changes**

Except as disclosed elsewhere in this annual report, we have not experienced any significant changes since the date of our audited consolidated financial statements included in this annual report.

## **ITEM 9. THE OFFER AND LISTING**

### **A. Offering and Listing Details.**

Our ADSs have been listed on the Nasdaq Global Market since May 17, 2007. Our ADSs currently trade on the Nasdaq Global Select Market under the symbol “CSUN.” Prior to December 21, 2011, one ADS represented six ordinary shares. On December 21, 2011, we effected a change of the ADS to ordinary share ratio from one ADS representing six ordinary shares to one ADS representing 18 ordinary shares. The ratio change has the same effect as a one-for-three ADS consolidation.

The following table provides the high and low closing prices for our ADSs on the Nasdaq Global Select Market for (1) the years of 2007, 2008, 2009 and 2010, (2) each of the four quarters of 2010 and 2011 and (3) each of the past six months. For ease of comparison, the ADS prices before December 21, 2011 have been retroactively adjusted to reflect the ADS to ordinary share ratio change that took effect on December 21, 2011.

	Trading Price	
	High	Low
	\$	\$
<b>Annual High and Low</b>		
2007 (from May 17, 2007)	53.64	15.15
2008	53.13	4.53
2009	18.24	4.14
2010	16.56	10.32
2011	14.40	1.09
<b>Quarterly High and Low</b>		
First Quarter 2010	16.56	11.70
Second Quarter 2010	14.88	10.20
Third Quarter 2010	14.97	10.50
Fourth Quarter 2010	14.94	12.33
First Quarter 2011	14.40	11.88
Second Quarter 2011	12.30	4.80
Third Quarter 2011	6.21	3.36
Fourth Quarter 2011	3.54	1.09
First Quarter 2012	3.05	1.23
<b>Monthly Highs and Lows</b>		
October 2011	3.54	2.82
November 2011	3.21	2.16
December 2011	2.25	1.09
January 2012	2.39	1.23
February 2012	3.05	2.24
March 2012	2.40	1.68
April 2012(through April 24, 2012)	1.91	1.60

B. Plan of Distribution

Not applicable.

C. Markets

Our ADSs have been listed on the Nasdaq Global Market since May 17, 2007. Our ADSs currently trade on the Nasdaq Global Select Market under the symbol “CSUN.” Prior to December 21, 2011, one ADS represented six ordinary shares. On December 21, 2011, we effected a change of the ADS to ordinary share ratio from one ADS representing six ordinary shares to one ADS representing 18 ordinary shares. The ratio change has the same effect as a one-for-three ADS consolidation.

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the Issue

Not applicable.

**ITEM 10. ADDITIONAL INFORMATION**

A. Share Capital

Not applicable.

B. Memorandum and Articles of Association

We incorporate by reference into this annual report the description of our amended and restated memorandum of association contained in our F-1 registration statement (File No. 333-142367) originally filed with the SEC on April 25, 2007, as amended. Our shareholders adopted our amended and restated memorandum and articles of association by a special resolution on April 24, 2007. On December 21, 2011, we effected a change of the ADS to ordinary share ratio from one ADS representing six shares to one ADS representing 18 shares. The ratio change has the same effect as a one-for-three ADS consolidation.



The following are summaries of material provisions of our currently effective amended and restated memorandum and articles of association, as well as the Companies Law (2011 Revision), or Companies Law insofar as they relate to the material terms of our ordinary shares.

#### Registered Office and Objects

The Registered Office of our company is at the offices of the offices of Codan Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The objects for which our company is established are unrestricted and we have full power and authority to carry out any object not prohibited by the Companies Law, as amended from time to time, or any other law of the Cayman Islands.

#### Board of Directors

See “Item 6.C. Board Practices — Board of Directors”

#### Ordinary Shares

*General.* All of our outstanding ordinary shares are fully paid and non-assessable. Certificates representing the ordinary shares are issued in registered form. Our shareholders who are non-residents of the Cayman Islands may freely hold and vote their shares.

*Dividends.* The holders of our ordinary shares are entitled to such dividends as may be declared by our shareholders or board of directors subject to the Companies Law.

*Voting Rights.* Each ordinary share is entitled to one vote on all matters upon which the ordinary shares are entitled to vote. Voting at any meeting of shareholders is by show of hands unless a poll is demanded or required by the rules of the designated stock exchange as described in our amended and restate articles of association. A poll may be demanded by (a) the chairman of the meeting, (b) at least three shareholders present in person or, in the case of a shareholder being a corporation, by its duly authorized representative or by proxy for the time being entitled to vote at the meeting, (c) any shareholder or shareholders present in person or, in the case of a shareholder being a corporation, by its duly authorized representative or by proxy and representing not less than one-tenth of the total voting rights of all the shareholders having the right to vote at the meeting, (d) a shareholder or shareholders present in person or, in the case of a shareholder being a corporation, by its duly authorized representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares among which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up among all shares conferring that right or (e) if required by the rules of the designated stock exchange, by any director or directors who, individually or collectively, hold proxies in respect of shares representing 5% or more of the total voting rights at such meeting.

A quorum required for a meeting of shareholders consists of at least two shareholders present in person or by proxy or, if a corporation or other non-natural person, by its duly authorized representative representing not less than one-third of the total issued voting shares. Shareholders’ meetings are held annually and may be convened by our board of directors on its own initiative. Advance notice of at least ten clear days is required for the convening of our annual general meeting and other shareholders’ meetings.

An ordinary resolution to be passed by the shareholders requires the affirmative vote of a simple majority of the votes attaching to the ordinary shares cast in a general meeting, while a special resolution requires the affirmative vote of no less than two-thirds of the votes cast attaching to the ordinary shares. A special resolution is required for important matters such as a change of name or an amendment to our memorandum or articles of association. Holders of the ordinary shares may effect certain changes by ordinary resolution, including alter the amount of our authorized share capital, consolidate and divide all or any of our share capital into shares of larger or smaller amount than our existing share capital, and cancel any unissued shares.

*Transfer of Shares.* Subject to the restrictions of our amended and restated articles of association, as applicable, any of our shareholders may transfer all or any of his or her ordinary shares by an instrument of transfer in the usual or common form or a form prescribed by the designated stock exchange or any other form approved by our board.

Our board of directors may, in its absolute discretion, decline to register any transfer of any ordinary share which is not fully paid up or on which we have a lien or shares issued under any share incentive scheme for employees upon when a restriction on transfer imposed thereby still subsists. Our directors may also decline to register any transfer of any ordinary share unless (a) the instrument of transfer is lodged with us, accompanied by the certificate for the ordinary shares to which it relates and such other evidence as our board of directors may reasonably require to show the right of the transferor to make the transfer; (b) the instrument of transfer is in respect of only one class of ordinary shares; (c) the instrument of transfer is properly stamped, if required; (d) in the case of a transfer to joint holders, the number of joint holders to whom the ordinary share is to be transferred does not exceed four; or (e) a fee of such maximum sum as the Nasdaq Global Select Market may determine to be payable, or such lesser sum as our board of directors may from time to time require, is paid to us in respect thereof.

If our directors refuse to register a transfer they shall, within two months after the date on which the instrument of transfer was lodged, send to each of the transferor and the transferee notice of such refusal. The registration of transfers may, on prior notice being given by advertisement in one or more newspapers or by electronic means, be suspended and the register closed at such times and for such periods as our board of directors may from time to time determine, provided, however, that the registration of transfers shall not be suspended nor the register closed for more than 30 days in any year.

*Liquidation.* On a return of capital on winding up or otherwise (other than on conversion, redemption or purchase of shares), assets available for distribution among the holders of ordinary shares shall be distributed among the holders of the ordinary shares on a pro rata basis. If our assets available for distribution are insufficient to repay all of the paid-up capital, the assets will be distributed so that the losses are borne by our shareholders proportionately.

*Calls on Shares and Forfeiture of Shares.* Our board of directors may from time to time make calls upon shareholders for any amounts unpaid on their shares in a notice served to such shareholders at least 14 days prior to the specified time and place of payment. The shares that have been called upon and remain unpaid are subject to forfeiture.

*Redemption of Shares.* Subject to the provisions of the Companies Law, the rules of the designated stock exchange, our amended and restated memorandum and articles of association and to any special rights conferred on the holders of any shares or class of shares, we may issue shares on terms that they are subject to redemption at our option or at the option of the holders, on such terms and in such manner as may be determined by our board of directors.

*Variations of Rights of Shares.* All or any of the special rights attached to any class of shares may, subject to the provisions of the Companies Law and our amended and restated memorandum and articles of association, be varied with the sanction of a special resolution passed at a general meeting of the holders of the shares of that class.

*Inspection of Register of Members.* Pursuant to our amended and restated articles of association, our register of members and branch register of members shall be open for inspection by shareholders for such times and on such days as our board of directors shall determine, without charge, or by any other person upon a maximum payment of \$2.50 or such other sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of \$1.00 or such other sum specified by the board, at our registration office, unless the register is closed in accordance with our amended and restated articles of association.

*Inspection of Books and Records.* No holders of our ordinary shares (other than a director) shall have any right of inspecting any of our accounts, books or documents except as conferred by the Companies Law or authorized by the directors or by us in general meeting. However, we will make this annual report, which contains our audited financial statements, available to shareholders and ADS holders. See “Item 10.H. Documents on Display.”

C. Material Contracts

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

D. Exchange Controls

China’s government imposes control over the convertibility of RMB into foreign currencies. The conversion of RMB into foreign currencies, including U.S. dollars, has been based on rates announced by the People’s Bank of China. On July 21, 2005, the PRC government changed its decade-old policy of pegging the value of the Renminbi to the U.S. dollar. Under the new policy, the Renminbi is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. This change in policy has resulted in an approximately 23.9% appreciation of the RMB against the U.S. dollar between July 21, 2005 and March 31, 2012. While the international reaction to the RMB revaluation has generally been positive, there remains significant international pressure on the PRC government to adopt an even more flexible currency policy, which could result in a further and more significant appreciation of the RMB against the U.S. dollar.

Pursuant to the Foreign Exchange Administration Regulations issued by the State Council on January 29, 1996, and effective as of April 1, 1996 (and amended on January 14, 1997 and August 5, 2008, respectively) and the Administration Rules of the Settlement, Sale and Payment of Foreign Exchange which came into effect on July 1, 1996, or the Rules, conversion of RMB into foreign exchange by foreign investment enterprises for current account items, including the distribution of dividends and profits to foreign investors of joint ventures, is permissible. Foreign investment enterprises are permitted to remit foreign exchange from their foreign exchange bank account in China on the basis of, inter alia, the terms of the relevant joint venture contracts and the board resolutions declaring the distribution of the dividend and payment of profits. The State Council amended the Foreign Exchange Administration Rules on January 14, 1997 and August 5, 2008, respectively, providing that, among other things, an important provision, as Article 5 provides that the State shall not impose restrictions on recurring international current account payments and transfers. Renminbi can be freely converted into foreign currencies for international payment under current accounts unless Chinese laws and regulations require obtaining prior approval from SAFE. However, for the international income under capital accounts, the conversion of foreign currencies into Renminbi is still subject to the prior approval of SAFE.

Under the Rules, foreign investment enterprises are required to open and maintain separate foreign exchange accounts for capital account items (but not for other items). In addition, foreign investment enterprises may only buy, sell and/or remit foreign currencies at those banks authorized to conduct foreign exchange business upon the production of valid commercial documents and, in the case of certain capital account item transactions, document approval from SAFE.

Currently, foreign investment enterprises are required to apply to SAFE for “foreign exchange registration certificates for foreign investment enterprises” (which are granted to foreign investment enterprises, upon fulfilling specified conditions and which are subject to review and renewal by SAFE on an annual basis). With such foreign exchange registration certificates and required underlying transaction documents, or with approval documents from the SAFE if the transactions are under capital account (which are obtained on a transaction-by-transaction basis), foreign-invested enterprises may enter into foreign exchange transactions at banks authorized to conduct foreign exchange business to obtain foreign exchange for their needs.

#### **E. Taxation**

The following summary of the material Cayman Islands, PRC and United States federal income tax consequences of an investment in our ADSs or ordinary shares is based upon laws and relevant interpretations thereof in effect as of the date of this annual report on Form 20-F, all of which are subject to change. This summary does not deal with all possible tax consequences relating to an investment in our ADSs or ordinary shares, such as the tax consequences under state, local, and other tax laws not addressed herein.

#### **Cayman Islands Taxation**

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

We have received an undertaking from the Governor in Cabinet of the Cayman Islands that, in accordance with section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, for a period of 20 years from August 22, 2006, no law which is enacted thereafter in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to us or our operations and, in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable (i) on or in respect of the shares, debentures or other obligations of us or (ii) by way of the withholding in whole or in part of a payment of dividend or other distribution of income or capital by us to its members or a payment of principal or interest or other sums due under a debenture or other obligation of us.

## **People's Republic of China Taxation**

Pursuant to the New EIT Law and the New EIT Law Implementing Rules, both of which became effective on January 1, 2008, dividends generated after January 1, 2008 and payable by a foreign-invested enterprise to its foreign investors will be subject to a 10% withholding tax if the foreign investors are considered as non-PRC resident enterprises without any establishment or place of business within China or if the dividends payable have no connection with the establishment or place of business of the foreign investors within China, unless any such foreign investor's jurisdiction of incorporation has a tax treaty with China that provides for a reduced withholding arrangement. The Cayman Islands, where we are incorporated, does not have such a tax treaty with China. Sunergy Hong Kong, our wholly owned subsidiary and the direct holder of 100% equity interest in Sunergy Nanjing, is incorporated in Hong Kong. According to the Mainland and Hong Kong Special Administrative Region Arrangement on Avoiding Double Taxation or Evasion of Taxation on Income agreed between China and Hong Kong, dividends paid by a foreign-invested enterprise in China to its direct holding company in Hong Kong will be subject to withholding tax at a rate of no more than 5% (if the foreign investor is deemed as the beneficial owner of the dividend by PRC tax authorities and owns directly at least 25% of the shares of the foreign-invested enterprise). If Sunergy Hong Kong is deemed as the beneficial owner of the dividend by PRC tax authorities and regarded as a non-PRC resident enterprise, it would be subject to a 5% withholding tax for any dividends payable to it from Sunergy Nanjing, the amount of funds available to us to meet our cash requirements, including the payment of dividends to our shareholders and debt service on any debt we may incur through our Cayman holding company, could be materially reduced.

The New EIT Law and the New EIT Law Implementation Rules provides that enterprises established under the laws of foreign countries or regions whose "de facto management bodies" are located within the PRC are considered PRC resident enterprises and will be subject to the PRC Enterprise Income Tax at the rate of 25% on their worldwide income. Under the Implementation Rules of the New EIT Law, a "de facto management body" is defined as a body that has material and overall management and control over manufacturing and business operations, personnel, accounting, properties, etc. of an enterprise. Although it is still unclear whether we will be considered a PRC resident enterprise under the New EIT Law, we currently believe and take the position we are not a PRC resident enterprise.

Under the New EIT Law and the New EIT Law Implementation Rules, if we and Sunergy Hong Kong were regarded as PRC resident enterprises, the dividends payable to us from Sunergy Nanjing would be exempt from the PRC enterprise income tax. If Sunergy Hong Kong is regarded as a non-PRC resident enterprise and the beneficial owner of the dividend, and therefore would be subject to a 5% withholding tax for any dividends payable to it from Sunergy Nanjing, the amount of funds available to us to meet our cash requirements, including the payment of dividends to our shareholders and debt service on any debt we may incur through our Cayman holding company, could be materially reduced.

According to the Beneficial Owner Recognition Circular, a corporate resident of a contracting state will not be entitled to the lower withholding tax rate under a tax treaty if it is considered a "conduit company" which is set up merely for the purpose of avoiding or reducing tax or transferring or accumulating profits, as opposed to a beneficial owner who owns and controls an item of income, or the right or property from which that item of income is derived, and is normally engaged in substantive business activities such as manufacturing, sales and management. Therefore, if Sunergy Hong Kong were not considered to be the beneficial owner of Sunergy Nanjing as the case may be, under the terms of the Beneficial Owner Recognition Circular, we may not be able to enjoy the applicable tax treaty benefits between the PRC and Hong Kong, and any dividends paid by Sunergy Nanjing to Sunergy Hong Kong may incur a higher withholding tax rate of 10%. In addition, if we are regarded as a PRC resident enterprise under the New EIT Law, any dividends to be distributed by us to our non-PRC shareholders or holders of ADSs will be subject to a withholding tax. Unless there are further rules announced by the Chinese tax authorities, we may be required under the New EIT Law to withhold PRC income tax on our dividends payable to our non-PRC shareholders or holders of ADSs, or any gain realized by our non-PRC shareholders or holders of ADSs from transfer of the shares or ADSs.

## **United States Federal Income Taxation**

The following discussion describes the material U.S. federal income tax consequences to U.S. Holders (as defined below) under current law of an investment in our ADSs or ordinary shares. This discussion applies only to U.S. Holders that hold the ADSs or ordinary shares as capital assets (generally, property held for investment) and that have the U.S. dollar as their functional currency. This discussion is based on the tax laws of the United States as in effect on the date of this annual report and on U.S. Treasury regulations in effect or, in some cases, proposed as of the date of this annual report, as well as judicial and administrative interpretations thereof available on or before such date. All of the foregoing authorities are subject to change, which change could apply retroactively and could affect the tax consequences described below.



The following discussion does not deal with the tax consequences to any particular investor or to persons in special tax situations such as:

- banks and other financial institutions;
- insurance companies;
- broker-dealers;
- traders that elect to use a mark-to-market method of accounting;
- tax-exempt entities;
- persons liable for alternative minimum tax;
- U.S. expatriates;
- regulated investment companies or real estate investment trusts;
- persons holding an ADS or ordinary share as part of a straddle, hedging, conversion or integrated transaction;
- persons who acquired ADSs or ordinary shares pursuant to the exercise of any employee stock options or otherwise as compensation;
- persons that actually or constructively own 10% or more of the total combined voting power of all classes of our voting stock; or
- partnerships or other pass-through entities, or persons holding ADSs or ordinary shares through such entities.

**INVESTORS SHOULD CONSULT THEIR TAX ADVISORS REGARDING THE APPLICATION OF THE U.S. FEDERAL TAX RULES TO THEIR PARTICULAR CIRCUMSTANCES AS WELL AS THE STATE, LOCAL, FOREIGN AND OTHER TAX CONSEQUENCES TO THEM OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF OUR ADSs OR ORDINARY SHARES.**

The discussion below of the U.S. federal income tax consequences to “U.S. Holders” will apply to you if you are a beneficial owner of our ADSs or ordinary shares and you are, for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the United States;
- a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) organized under the laws of the United States, any state thereof or the District of Columbia;
- an estate, the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust that (1) is subject to the primary supervision of a court within the United States and the control of one or more U.S. persons for all substantial decisions or (2) has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

If you are a partner in a partnership (or other entity treated as a partnership for U.S. federal income tax purposes) that holds our ADSs or ordinary shares, your tax treatment will generally depend on your status and the activities of the partnership.

The discussion below assumes the representations contained in the deposit agreement are true and the obligations in the deposit agreement and any related agreement have been and will be complied with in accordance with their terms. If you beneficially own our ADSs, you should be treated as the beneficial owner of the underlying ordinary shares represented by those ADSs for U.S. federal income tax purposes.

The U.S. Treasury has expressed concerns that U.S. holders of ADSs may be claiming foreign tax credits in situations where an intermediary in the chain of ownership between the holder of an ADS and the issuer of the security underlying the ADS has taken actions inconsistent with the ownership of the underlying security by the person claiming the credit. Such actions (for example, a pre-release of an ADS by a depository) may also be inconsistent with the claiming of the reduced rate of tax applicable to dividends received by certain non-corporate U.S. holders of ADSs, including individual U.S. holders (discussed below). Accordingly, the availability of foreign tax credits or the reduced tax rate for dividends received by certain non-corporate U.S. Holders, including individual U.S. Holders, could be affected by actions taken by the U.S. Treasury or the depository.



## *Taxation of Dividends and Other Distributions on the ADSs or Ordinary Shares*

Subject to the passive foreign investment company rules discussed below, the gross amount of any distributions we make to you with respect to our ADSs or ordinary shares (including the amount of any taxes withheld therefrom) will generally be included in your gross income as dividend income on the date of actual or constructive receipt by the depository, in the case of ADSs, or by you, in the case of ordinary shares, but only to the extent the distribution is paid out of our current or accumulated earnings and profits (as determined under U.S. federal income tax principles). To the extent the amount of the distribution exceeds our current and accumulated earnings and profits (as determined under U.S. federal income tax principles), such excess amount will be treated first as a tax-free return of your tax basis in your ADSs or ordinary shares, and then, to the extent such excess amount exceeds your tax basis, as capital gain. We currently do not, and we do not intend to, calculate our earnings and profits under U.S. federal income tax principles. Therefore, a U.S. Holder should expect a distribution will generally be reported as a dividend even if that distribution would otherwise be treated as a non-taxable return of capital or as capital gain under the rules described above. Any dividends we pay will not be eligible for the dividends-received deduction allowed to corporations in respect of dividends received from other U.S. corporations.

With respect to certain non-corporate U.S. Holders, including individual U.S. Holders, for taxable years beginning before January 1, 2013, dividends will be “qualified dividend income” that is taxed at the lower applicable capital gains rate, provided certain conditions are satisfied, including (1) our ADSs or ordinary shares are readily tradable on an established securities market in the United States, or we are eligible for the benefits of a qualifying income tax treaty with the United States that includes an exchange of information program, (2) we are neither a passive foreign investment company nor treated as such with respect to you for our taxable year in which the dividend is paid and the preceding taxable year, and (3) certain holding period requirements are met. U.S. Treasury guidance indicates that common or ordinary shares, or ADSs representing such shares, are considered for the purpose of clause (1) above to be readily tradable on an established securities market in the United States if they are listed on the Nasdaq Global Select Market, as are our ADSs (but not our ordinary shares). There can be no assurance the ADSs will be considered readily tradable on an established securities market in later years. Based on existing guidance, it is not entirely clear whether dividends you receive with respect to the ordinary shares will be taxed as qualified dividend income, because the ordinary shares are not themselves listed on a U.S. exchange. If we are deemed to be a “resident enterprise” under PRC tax law (see Item 10, “Additional Information—Taxation—People’s Republic of China Taxation”), we may be eligible for the benefits of the income tax treaty between the United States and the PRC. As discussed above (see Item 10 “Additional Information—Taxation—People’s Republic of China Taxation”), we currently believe and take the position we are not a “resident enterprise” under PRC tax law. You should consult your tax advisors regarding the availability of the lower capital gains rate applicable to qualified dividend income for any dividends paid with respect to the ADSs or ordinary shares and any possible change in law relating to the availability of such lower rate for dividends paid by us.

Dividends will constitute foreign source income for foreign tax credit limitation purposes. If the dividends are qualified dividend income (discussed above), the amount of the dividend taken into account for purposes of calculating the foreign tax credit limitation will generally be limited to the gross amount of the dividend, multiplied by the reduced tax rate applicable to qualified dividend income and divided by the highest tax rate normally applicable to dividends. The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. For this purpose, any dividends distributed by us with respect to our ADSs or ordinary shares will be “passive category income” or, in the case of certain U.S. Holders, “general category income.” In addition, if PRC withholding taxes apply to dividends paid to you with respect to the ADSs or ordinary shares (see Item 10, “Additional Information—Taxation—People’s Republic of China Taxation”), subject to certain conditions and limitations, such PRC withholding taxes may be treated as foreign taxes eligible for credit against your U.S. federal income tax liability. The rules relating to the determination of the foreign tax credit are complex, and you should consult your tax advisors regarding the availability of a foreign tax credit in your particular circumstances.

### ***Taxation of Disposition of the ADSs or Ordinary Shares***

Subject to the passive foreign investment company rules discussed below, you will recognize taxable gain or loss on any sale, exchange or other taxable disposition of an ADS or ordinary share equal to the difference between the amount realized (in U.S. dollars) for the ADS or ordinary share and your tax basis (in U.S. dollars) in the ADS or ordinary share. The gain or loss will be capital gain or loss. If you are a non-corporate U.S. Holder, including an individual U.S. Holder, who has held the ADS or ordinary share for more than one year, you will be eligible for reduced tax rates. The deductibility of capital losses is subject to limitations.

Any gain or loss you recognize on a disposition of our ADSs or ordinary shares will generally be treated as U.S. source income or loss for foreign tax credit limitation purposes. However, if we are deemed to be a “resident enterprise” under PRC tax law and PRC tax were to be imposed on any gain from the disposition of the ADSs or ordinary shares (see Item 10, “Additional Information—Taxation—People’s Republic of China Taxation”), a U.S. Holder that is eligible for the benefits of the treaty may elect to treat such gain as PRC source income. As discussed above (see Item 10, “Additional Information—Taxation—People’s Republic of China Taxation”), we currently believe and take the position we are not a “resident enterprise” under PRC tax law. You should consult your tax advisors regarding the proper treatment of gain or loss in your particular circumstances.

### ***Passive Foreign Investment Company***

Based on the market price of our ADSs, the value of our assets, and the composition of our income and assets, although we do not believe we were a “passive foreign investment company,” or PFIC, for U.S. federal income tax purposes for our taxable year ended December 31, 2011, we cannot assure you we were not a PFIC for such year. A non-U.S. corporation will be a PFIC for any taxable year if either:

- at least 75% of its gross income for such year is passive income; or
- at least 50% of the value of its assets (based on an average of the quarterly values of the assets) during such year is attributable to assets that produce passive income or are held for the production of passive income (the “asset test”).

For this purpose, we will be treated as owning our proportionate share of the assets and earning our proportionate share of the income of any other corporation in which we own, directly or indirectly, at least 25% (by value) of the stock.

A separate determination must be made after the close of each taxable year as to whether we were a PFIC for that year. The composition of our income and assets will be affected by how, and how quickly, we use the cash we generate from our operations and raise in any offering. Because the value of our assets for purposes of the asset test will generally be determined by reference to the market price of our ADSs or ordinary shares, fluctuations in the market price of the ADSs or ordinary shares may cause us to become a PFIC.

If we are a PFIC for any taxable year during which you hold ADSs or ordinary shares, we will generally continue to be treated as a PFIC with respect to you for all succeeding years during which you hold the ADSs or ordinary shares, unless we cease to be a PFIC and you make a “deemed sale” election with respect to the ADSs or ordinary shares, as applicable. If such election is made, you will be deemed to have sold the ADSs or ordinary shares you hold at their fair market value and any gain from such deemed sale would be subject to the rules described in the following two paragraphs. After the deemed sale election, your ADSs or ordinary shares with respect to which such election was made will not be treated as shares in a PFIC unless we subsequently become a PFIC.

For each taxable year we are treated as a PFIC with respect to you, you will be subject to special tax rules with respect to any “excess distribution” you receive and any gain you recognize from a sale or other disposition (including a pledge) of the ADSs or ordinary shares, unless you make a “mark-to-market” election as discussed below. Distributions you receive in a taxable year that are greater than 125% of the average annual distributions you received during the shorter of the three preceding taxable years or your holding period for the ADSs or ordinary shares will be treated as an excess distribution. Under these special tax rules:

- the excess distribution or recognized gain will be allocated ratably over your holding period for the ADSs or ordinary shares,
- the amount allocated to the current taxable year, and any taxable years in your holding period prior to the first taxable year in which we were a PFIC, will be treated as ordinary income, and

- the amount allocated to each other year will be subject to the highest tax rate in effect for individuals or corporations, as applicable, for each such year, and the interest charge generally applicable to underpayments of tax will be imposed on the resulting tax attributable to each such year.

The tax liability for amounts allocated to years prior to the year of disposition or excess distribution cannot be offset by any net operating losses for such years, and gains (but not losses) from a sale or other disposition of the ADSs or ordinary shares cannot be treated as capital, even if you hold the ADSs or ordinary shares as capital assets.

If we are treated as a PFIC with respect to you for any taxable year, to the extent any of our subsidiaries are also PFICs or we make direct or indirect equity investments in other entities that are PFICs, you will be deemed to own shares in such lower-tier PFICs directly or indirectly owned by us in the proportion that the value of the ADSs or ordinary shares you own bears to the value of all of our ADSs and ordinary shares, and you may be subject to the rules described in the preceding two paragraphs with respect to the shares of such lower-tier PFICs that you would be deemed to own. You should consult your tax advisors regarding the application of the PFIC rules to any of our subsidiaries.

A U.S. Holder of “marketable stock” (as defined below) of a PFIC may make a mark-to-market election for such stock to elect out of the PFIC rules described above regarding excess distributions and recognized gains. If you make a mark-to-market election for our ADSs or ordinary shares, you will include in income for each year that we are a PFIC an amount equal to the excess, if any, of the fair market value of the ADSs or ordinary shares you hold as of the close of your taxable year over your adjusted basis in such ADSs or ordinary shares. You will be allowed a deduction for the excess, if any, of the adjusted basis of the ADSs or ordinary shares over their fair market value as of the close of the taxable year. However, deductions will be allowable only to the extent of any net mark-to-market gains on the ADSs or ordinary shares included in your income for prior taxable years. Amounts included in your income under a mark-to-market election, as well as any gain from the actual sale or other disposition of the ADSs or ordinary shares, will be treated as ordinary income. Ordinary loss treatment will apply to the deductible portion of any mark-to-market loss on the ADSs or ordinary shares, as well as to any loss from the actual sale or other disposition of the ADSs or ordinary shares, to the extent that the amount of such loss does not exceed the net mark-to-market gains previously included for such ADSs or ordinary shares. Your basis in the ADSs or ordinary shares will be adjusted to reflect any such income or loss amounts. If you make a valid mark-to-market election, any distributions we make would generally be subject to the tax rules discussed above under “—Taxation of Dividends and Other Distributions on the ADSs or Ordinary Shares”, except the lower capital gains rate applicable to qualified dividend income generally would not apply.

The mark-to-market election is available only for “marketable stock,” which is stock that is traded in greater than *de minimis* quantities on at least 15 days during each calendar quarter (“regularly traded”) on a qualified exchange or other market, as defined in applicable U.S. Treasury regulations. Our ADSs are listed on the Nasdaq Select Global Market, which is a qualified exchange or other market for these purposes. Consequently, if the ADSs continue to be listed on the Nasdaq Global Select Market and are regularly traded, and you are a holder of ADSs, we expect the mark-to-market election would be available to you if we become a PFIC. Because a mark-to-market election cannot be made for equity interests in any lower-tier PFICs that we own, a U.S. Holder may continue to be subject to the PFIC rules described above regarding excess distributions and recognized gains with respect to its indirect interest in any investments held by us that are treated as an equity interest in a PFIC for U.S. federal income tax purposes.

Alternatively, a U.S. Holder of stock of a PFIC may make a “qualified electing fund” election with respect to such corporation to elect out of the PFIC rules described above regarding excess distributions and recognized gains. A U.S. Holder that makes a valid qualified electing fund election with respect to a PFIC will generally include in income for a taxable year such holder’s *pro rata* share of the corporation’s income for the taxable year. However, the qualified electing fund election is available only if the PFIC provides such U.S. Holder with certain tax information as required under applicable U.S. Treasury regulations. We do not intend to prepare or provide the information that would enable you to make a qualified electing fund election.

Unless otherwise provided by the U.S. Treasury, each U.S. shareholder of a PFIC is required to file an annual report containing such information as the U.S. Treasury may require. If we are or become a PFIC, you should consult your tax advisors regarding any reporting requirements that may apply to you.

You should consult your tax advisors regarding the application of the PFIC rules to your investment in our ADSs or ordinary shares.

## ***Information Reporting and Backup Withholding***

Dividend payments with respect to ADSs or ordinary shares and proceeds from the sale, exchange or other disposition of ADSs or ordinary shares may be subject to information reporting to the Internal Revenue Service and possible U.S. backup withholding, unless the conditions of an applicable exception are satisfied. Backup withholding will not apply to a U.S. Holder that furnishes a correct taxpayer identification number and makes any other required certification on Internal Revenue Service Form W-9 or that is otherwise exempt from backup withholding. U.S. Holders that are required to establish their exempt status generally must provide such certification on Internal Revenue Service Form W-9. U.S. Holders should consult their tax advisors regarding the application of the U.S. information reporting and backup withholding rules.

Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against your U.S. federal income tax liability, and you may obtain a refund of any excess amounts withheld under the backup withholding rules by filing the appropriate claim for refund with the Internal Revenue Service and furnishing any required information in a timely manner.

## ***Additional reporting requirements***

Certain U.S. Holders who are individuals are required to report information relating to an interest in our ADSs or ordinary shares, subject to certain exceptions (including an exception for ADSs or ordinary shares held in accounts maintained by certain financial institutions). U.S. Holders should consult their tax advisors regarding the effect, if any, of these rules on their ownership and disposition of the ADSs and ordinary shares.

### **F. Dividends and Paying Agents**

Not Applicable.

### **G. Statement by Experts**

Not Applicable.

### **H. Documents on Display**

We previously filed with the SEC our registration statement on Form F-1 (Registration No. 333-144282, as amended) and the prospectus under the Securities Act of 1933, with respect to our ordinary shares. We have also filed with the SEC a related registration statement on F-6 (Registration No. 333-142574) to register the ADSs. We also filed with the SEC a registration statement on Form S-8 (File Number 333-148125, as amended) with respect to our securities to be issued under our First Plan.

We are currently subject to periodic reporting and other informational requirements of the Exchange Act as applicable to foreign private issuers. Accordingly, we will be required to file reports and other information with the SEC. Specifically, we are required to file annually a Form 20-F no later than: (1) within six months after the end of each fiscal year, which is December 31, for fiscal years ending before December 15, 2012; and (2) within four months after the end of each fiscal year for fiscal years ending on or after December 15, 2012. As a foreign private issuer, we are exempt from the rules of the Exchange Act prescribing the furnishing and content of proxy statements to shareholders. All information filed with the SEC can be inspected and copied at the public reference facilities maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549. You can request copies of these documents, upon payment of a duplicating fee, by writing to the SEC. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference rooms. You may also obtain additional information over the Internet at the SEC's website at [www.sec.gov](http://www.sec.gov).

Our financial statements have been prepared in accordance with U.S. GAAP.

We will furnish our shareholders with annual reports, which will include a review of operations and annual audited consolidated financial statements prepared in conformity with U.S. GAAP.

In accordance with Nasdaq Stock Market Marketplace Rules 5250(b), we will post this annual report on Form 20-F on our website at <http://www.chinasunenergy.com>.

### **I. Subsidiary Information**

For a listing of our subsidiaries, see Item 4, "Information on the Company—Organizational Structure."

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

### *Inflation*

Since our inception, inflation in China has not materially impacted our results of operations. According to the National Bureau of Statistics of China, the consumer price index in China increased by 3.9%, 1.8%, 1.5%, 4.8% and 5.9% in 2004, 2005, 2006, 2007 and 2008, respectively, decreased slightly by 0.7% in 2009, and increased by 3.3% in 2010. In 2011, the consumer price index increased by 5.4%.

### *Foreign Exchange Risk*

A major portion of our sales are denominated in Euros and U.S. dollars, with the remainder in Renminbi. A substantial portion of our costs and expenses have been denominated in Renminbi and U.S. dollars, with the remainder in Euros. Therefore, fluctuations in currency exchange rates could have a significant impact on our financial stability due to a mismatch among various foreign currency-denominated sales and costs. Fluctuations in exchange rates, particularly among the U.S. dollar, Renminbi and Euro, affect our gross and net profit margins and could result in foreign exchange and operating losses.

Our exposure to foreign exchange risk primarily relates to currency gains or losses resulting from timing differences between signing of sales contracts and settling of these contracts. As of December 31, 2011, we had a Renminbi denominated cash balance of RMB1,149.6 million, a U.S. dollar denominated cash balance of \$95.1 million, and a Euro denominated cash balance of €12.6 million. Assuming we had converted the Renminbi denominated cash balance of RMB1,149.6 million as of December 31, 2011 into U.S. dollar at the exchange rate of RMB6.2939 for \$1.00 as of December 31, 2011, this cash balance would have been \$182.7 million. Assuming a further 1% appreciation of the U.S. dollar against the Renminbi, this cash balance would have decreased to \$180.8 million as of December 31, 2011. Therefore, if we decide to convert our Renminbi into U.S. dollars for the purpose of making payments for dividends on our ordinary shares or ADSs or for other business purposes, any appreciation of the U.S. dollar against the Renminbi would have a negative effect on the U.S. dollar amount available to us.

We are also subject to foreign currency translation risk. Our financial statements are expressed in U.S. dollars but the functional currency of our operating subsidiary is Renminbi. We translate monetary assets and liabilities denominated in other currencies into Renminbi at the rates of exchange in effect at each balance sheet date. Depending on movements in foreign exchange rates, the foreign currency translation may have an adverse impact on our consolidated financial statements. We recorded these exchange gains and losses in the statements of operations. We recorded net foreign currency losses of \$0.5 million, \$5.1 million and \$10.6 million in 2009, 2010 and 2011, respectively.

Starting from 2008, we entered into a series of foreign currency forward contracts with certain banks to hedge our exposure to foreign currency exchange risk. As of December 31, 2011, we had foreign currency forward contracts with a total contract value of approximately EUR2.0 million. As with all hedging instruments, there are risks associated with the use of foreign currency forward contracts. As at December 31, 2011, we incurred a loss of \$5.2 million in fair value of derivatives related to the forward foreign currency exchange contracts, which was included in the line item "Change in fair value of derivative" in the consolidated statements of operations. While the use of such foreign currency forward contracts provides us with protection from certain fluctuations in foreign currency exchange, we potentially forgo the benefits that might result from favorable fluctuations in foreign currency exchange. In addition, any default by the counterparties to these transactions could adversely affect our financial condition and results of operations.

### *Counterparty Risk*

Outstanding financial derivative instruments expose us to credit loss in the event of non-performance by the counterparties to the agreements. On a periodic basis, we review the credit ratings of our counterparties and adjust our exposure as deemed appropriate. The counterparty risk has been considered in the fair value measurement of derivative instruments.

### ***Interest Rate Risk***

Our exposure to interest rate risk primarily relates to interest expenses incurred by our short-term and long-term borrowings, as well as interest income generated by excess cash invested in demand deposits with original maturities of three months or less. Such interest-earning instruments carry a degree of interest rate risk. We have not used any derivative financial instruments to manage our interest rate risk exposure. As of December 31, 2011, we had total short-term bank borrowings and current portion of long-term bank borrowings amounting to \$322.2 million and total long-term bank borrowings amounting to \$125.4 million. The average interest of our bank borrowings due within one year and long-term borrowings was 6.65 % and 5.55%, respectively. Based on our bank borrowings as of December 31, 2011, a 1% increase in average interest rate of short-term and long-term loan would result in approximately a \$4.5 million increase in our interest expense on an annual basis. Our future interest expense may increase due to changes in market interest rates.

## **ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES**

### **A. Debt Securities**

Not applicable.

### **B. Warrants and Rights**

Not applicable.

### **C. Other Securities**

Not applicable.

### **D. American Depositary Shares**

#### **Fees and Charges Payable by ADS Holders**

According to the deposit agreement and amendments thereto between us and the depositary, JPMorgan Chase Bank N.A., our ADR holders may have to pay the following fees and charges to JPMorgan Chase Bank N.A. in connection with ownership of the ADR:

<b><u>Category</u></b>	<b><u>Depositary actions</u></b>	<b><u>Associated fee</u></b>
(a) Depositing or substituting the underlying shares	Each person to whom ADSs are issued against deposits of shares, including deposits and issuances in respect of: <ul style="list-style-type: none"><li>• Share distributions, stock dividend, stock split, merger</li><li>• Exchange of securities or any other transaction or event affecting the ADSs or the deposited securities</li></ul>	US\$5.00 for each 100 ADSs (or portion thereof) evidenced by the ADRs issued
(b) Receiving or distributing dividends	Distribution of cash dividends	US\$0.05 or less per ADS
(c) Selling or exercising rights	Distribution or sale of securities, the fee being in an amount equal to the fee for the execution and delivery of ADSs which would have been charged as a result of the deposit of such securities	Up to US\$5.00 for each 100 ADSs (or portion thereof)
(d) Withdrawing an underlying security	Acceptance of ADRs surrendered for withdrawal of deposited securities	US\$5.00 for each 100 ADSs (or portion thereof) evidenced by the ADRs surrendered
(e) Transferring, splitting or grouping receipts	Transfers of depositary receipts	US\$1.50 per ADS



(f) General depositary services, particularly those charged on an annual basis	Services performed by the depositary in administering the ADRs	US\$0.05 per ADS (or portion thereof) not more than once each calendar year and payable at the sole discretion of the depositary by billing ADR Holders or by deducting such charge from one or more cash dividends or other cash distributions
(g) Expenses of the Depositary	<p>Expenses incurred on behalf of ADR Holders in connection with:</p> <ul style="list-style-type: none"> <li>• Compliance with foreign exchange control regulations or any law or regulation relating to foreign investment</li> <li>• The depositary's or its custodian's compliance with applicable law, rule or regulation</li> <li>• Stock transfer or other taxes and other governmental charges</li> <li>• Cable, telex and facsimile transmission and delivery charges</li> <li>• fees for the transfer or registration of deposited securities in connection with the deposit or withdrawal of deposited securities</li> <li>• Expenses of the depositary in connection with the conversion of foreign currency into U.S. dollars (which are paid out of such foreign currency)</li> </ul>	Expenses payable at the sole discretion of the depositary by billing ADR Holders or by deducting such charges from one or more cash dividends or other cash distributions

We will pay all other charges and expenses of the depositary and any agent of the depositary (except the custodian) pursuant to agreements from time to time between us and the depositary. The fees described above may be amended from time to time.

#### **Fees and Payments from the Depositary to Us**

The depositary has agreed to reimburse us for certain expenses we incur that are related to establishment and maintenance of the ADR program, including investor relations expenses and stock exchange application and listing fees. There are limits on the amount of expenses for which the depositary will reimburse us, but the amount of reimbursement available to us is not related to the amounts of fees the depositary collects from investors. In 2011, we received \$132,484 from the depositary as reimbursement relating to the ADS facility.

## **II. PART II**

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

None.

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

On December 21, 2011, we effected a change of the ADS to ordinary share ratio from one ADS representing six ordinary shares to one ADS representing 18 ordinary shares. The ratio change has the same effect as a one-for-three ADS consolidation.

The following “Use of Proceeds” information relates to:

- the registration statement on Form F-1 (File number: 333-142367), or the IPO Registration Statement for our initial public offering of 9,775,000 American depositary shares, which IPO Registration Statement was declared effective by the SEC on May 16, 2007; and
- the registration statement on Form F-3 (File number: 333-151518), or the Shelf Registration Statement for our registration of convertible senior notes, which Shelf Registration Statement was declared effective by the SEC on June 19, 2008.

We received net proceeds after expenses of approximately \$95.9 million from our initial public offering and net proceeds of approximately \$50.2 million from the sale of our convertible senior notes.

The net proceeds from our public offering on NASDAQ were allocated as follows:

- approximately \$71 million for purchasing raw materials and other working capital requirements; and
- approximately \$20 million for modifying our existing solar cell manufacturing lines and expanding our solar cell manufacturing facilities.

Merrill Lynch, Pierce, Fenner & Smith Incorporated, Cowen and Company, LLC and Jefferies & Company, Inc. served as the underwriters for our initial public offering.

We used the net proceeds from the sale of our convertible senior notes as follows:

- approximately \$30 million for expansion of production capacity;
- approximately \$10 million for enhancement of research and development; and
- the remainder for development, and general corporate purposes

Credit Suisse Securities (USA) LLC served as the initial purchaser for the sale of our convertible senior notes.

As of December 31, 2011, our cash and cash equivalents amounted to \$209.5 million, comprised of cash on hand and demand deposits.

See “Item 10. Additional Information” for a description of the rights of securities holders, which remain unchanged.

## **ITEM 15. CONTROLS AND PROCEDURES**

### **Evaluation of Disclosure Controls and Procedures**

Our management, with the participation of our chief executive officer and chief financial officer, has performed an evaluation of the effectiveness of our disclosure controls and procedures within the meaning of Rules 13a-15(e) and 15d-15(e) of the Exchange Act as of the end of the period covered by this report. Based on such evaluation, our management has concluded that, as of the end of the period covered by this annual report, our disclosure controls and procedures were effective.

## Management's Annual Report on Internal Control Over Financial Reporting

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

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

As required by Section 404 of the Sarbanes-Oxley Act and related rules as promulgated by the SEC, management assessed the effectiveness of our internal control over financial reporting as of December 31, 2011 using criteria established in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Based on this assessment, management concluded that the our internal control over financial reporting was effective as of December 31, 2011 based on the criteria established in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Our independent registered public accounting firm, Deloitte Touche Tohmatsu CPA Ltd., has audited our internal control over financial reporting included in this annual report on Form 20-F.

### Attestation Report of the Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of China Sunergy Co. Ltd.

We have audited the internal control over financial reporting of China Sunergy Co., Ltd. (the "Company") and subsidiaries (collectively referred to as the "Group") as of December 31, 2011, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Group's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Group's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Group maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on the criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and the related financial statement schedule as of and for the year ended December 31, 2011 of the Group and our report dated April 26, 2012 expressed an unqualified opinion on those financial statements and financial statement schedule.

/s/ DELOITTE TOUCHE TOHMATSU CPA LTD.

Nanjing, China

April 26, 2012

### Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the year ended December 31, 2011 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

### ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

Our board of directors has determined that Merry Tang, an independent director and member of our audit committee, is an audit committee financial expert.

### ITEM 16B. CODE OF ETHICS

Our board of directors has adopted a code of ethics that applies to our directors, officers, employees and agents, including certain provisions that specifically apply to our chief executive officer, chief financial officer, senior finance officer, controller, vice presidents and any other persons who perform similar functions for us. We hereby undertake to provide to any person without charge, a copy of our code of business conduct and ethics within ten working days after we receive such person's written request.

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

The following table sets forth the aggregate fees by categories specified below in connection with certain professional services rendered by Deloitte Touche Tohmatsu CPA Ltd., our principal external auditors, for the periods indicated. We did not pay our auditors any fees other than audit fees in 2010 and 2011.

	<u>2010</u>	<u>2011</u>
Audit fees <sup>(1)</sup>	\$ 1,461,549	\$ 935,376
Audit-related fees <sup>(2)</sup>	—	—
Tax fees	—	—
All other fees	—	—

(1) "Audit fees" means the aggregate fees billed in each of the fiscal years listed for professional services rendered by our principal auditors for the audit of our annual financial statements.

(2) "Audit-related fees" means the aggregate fees billed in each of the fiscal years listed for assurance and related services by our principal auditors that are reasonably related to the performance of the audit or review of our financial statements and are not reported under "Audit fees." Services comprising the fees disclosed under the category of "Audit-related fees" involve principally the issue of comfort letter, rendering of listing advice, and other audit-related services for the years ended December 31, 2010 and December 31, 2011.

We engaged Deloitte Touche Tohmatsu CPA Ltd. in 2006. Total service fees billed related to these professional services in 2010 and 2011 amounted to \$1,461,549 and \$935,376, respectively.

The policy of our audit committee is to pre-approve all audit and non-audit services provided by Deloitte Touche Tohmatsu CPA Ltd., including audit services, audit-related services, tax services and other services as described above, other than those for de minimus services which are approved by the Audit Committee prior to the completion of the audit.

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

We are in compliance with the Nasdaq corporate governance rules with respect to the audit committee.

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

During the fourth quarter of 2008, we conducted open market repurchases of the convertible senior notes, and through December 31, 2008, we repurchased \$6.5 million aggregate principal amount of the convertible senior notes for a total cash consideration of \$2.0 million.

In June 2009, we conducted open market repurchases of \$4.0 million aggregate principal amount of the convertible senior notes for a total cash consideration of \$1.8 million.

In September 2011, we conducted open market repurchase of \$16.5 million aggregate principal amount of the convertible senior notes for a total cash consideration of \$9.1 million.

**ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT**

Not applicable .

**ITEM 16G. CORPORATE GOVERNANCE**

Rule 5635(c) of the Nasdaq Rules requires a Nasdaq listed company to obtain its shareholders' approval of stock option plans or other equity compensation arrangements, and any material amendments to such plans or arrangements. Rule 5615 of the Nasdaq Rules permits a foreign private issuer like our company to follow home country practice in certain corporate governance matters. Upon board approval in May 2009, we effected amendments to our First Plan. We believe that some of the amendments are material changes to the then existing plan. Our Cayman Islands counsel has provided a letter to Nasdaq dated May 14, 2009, confirming that under the existing Cayman Islands law, we are not required to obtain shareholders' approval for amendments to our existing equity incentive plan. Nasdaq has acknowledged the receipt of such letter and our home country practice with respect to approval for amendments to our equity incentive plan.

Other than the home country practice described above, we are not aware of any significant ways in which our corporate governance practices differ from those followed by U.S. domestic companies under the Nasdaq Rules.

**ITEM 16H. MINE SAFETY DISCLOSURE**

Not applicable.

**III. PART III**

**ITEM 17. FINANCIAL STATEMENTS**

We have elected to provide financial statements pursuant to Item 18.

**ITEM 18. FINANCIAL STATEMENTS**

The consolidated financial statements of China Sunergy and its subsidiaries are included at the end of this annual report.

**ITEM 19. EXHIBITS**

Exhibit Number	Description of Document
1.1	Amended and Restated Memorandum and Articles of Association of the Registrant (incorporated by reference to Exhibit 3.2 from our Registration Statement on Form F-1 (file no. 333-142367) filed with the Securities and Exchange Commission on April 25, 2007).
2.1	Registrant's Specimen American Depositary Receipt (included in Exhibit 2.3).
2.2	Registrant's Specimen Certificate for Ordinary shares (incorporated by reference to Exhibit 4.2 from our Registration Statement on Form F-1 (file no. 333-142367) filed with the Securities and Exchange Commission on April 25, 2007).
2.3	Form of Deposit Agreement among the Registrant, JPMorgan Chase Bank, N.A. as depositary, and holders of the American Depositary Receipts (incorporated by reference to Exhibit 4.3 from our Registration Statement on Form F-1 Amendment No. 2 (file no. 333-142367) filed with the Securities and Exchange Commission on April 25, 2007).
2.4	Indenture dated as of July 1, 2008 between Wilmington Trust Company and the Registrant (incorporated by reference to Exhibit 4.8 of the Report of Foreign Private Issuer on Form 6-K filed by China Sunergy Co., Ltd. on July 2, 2008).
2.5	Amendment No.1 to Deposit Agreement among the Registrant, JPMorgan Chase Bank, N.A. as depositary, and holders of the American Depositary Receipts (incorporated by reference to Exhibit 99.A2 from our Registration Statement on Form F-6 Amendment No. 1 (file no. 333-142574) filed with the Securities and Exchange Commission on December 9, 2011).
4.1	Subscription Agreement among the Registrant and other parties therein dated as of September 17, 2006 (incorporated by reference to Exhibit 4.4 from our Registration Statement on Form F-1 (file no. 333-142367) filed with the Securities and Exchange Commission on April 25, 2007).
4.2	Shareholders Agreement among the Registrant and other parties therein dated as of September 26, 2006, amended as of October 24, 2006, March 22, 2007 and April 24, 2007 (incorporated by reference to Exhibit 4.5 from our Registration Statement on Form F-1 (file no. 333-142367) filed with the Securities and Exchange Commission on April 25, 2007).
4.3	Registration Rights Agreement among the Registrant and other parties therein dated as of September 26, 2006 (incorporated by reference to Exhibit 4.6 from our Registration Statement on Form F-1 (file no. 333-142367) filed with the Securities and Exchange Commission on April 25, 2007).
4.4	Sale and Purchase Agreement among the Registrant, Sunergy BVI and other parties therein dated as of August 29, 2006 (incorporated by reference to Exhibit 4.7 from our Registration Statement on Form F-1 (file no. 333-142367) filed with the Securities and Exchange Commission on April 25, 2007).
4.5	Agreement for the Transfer and Assumption of Obligations among the Registrant, Sunergy BVI and other parties therein dated as of August 29, 2006 (incorporated by reference to Exhibit 4.8 from our Registration Statement on Form F-1 (file no. 333-142367) filed with the Securities and Exchange Commission on April 25, 2007).
4.6	Subscription Agreement among the Sunergy BVI, Sunergy Nanjing and other parties therein dated as of April 4, 2006 (incorporated by reference to Exhibit 4.9 from our Registration Statement on Form F-1 (file no. 333-142367) filed with the Securities and Exchange Commission on April 25, 2007).
4.7	Warrant Purchase Agreement among the Sunergy BVI, Sunergy Nanjing and other parties therein dated as of March 8, 2006 (incorporated by reference to Exhibit 4.10 from our Registration Statement on Form F-1 (file no. 333-142367) filed with the Securities and Exchange Commission on April 25, 2007).
4.8	Amended and Restated Share Incentive Plan (incorporated by reference to Exhibit 4.1 from our Post-Effective Amendment No. 1 to Registration Statement on Form S-8 (File No. 333-148125), as amended, filed with the Commission on June 22, 2009).

Exhibit Number	Description of Document
4.9	<b>Second Share Incentive Plan, including form of Restricted Share Award Agreement (incorporated by reference to Exhibit 4.9 from our Annual Report on Form 20-F filed with the Securities and Exchange Commission on June 9, 2008).</b>
4.10	<b>Form of Indemnification Agreement between the Registrant and its directors (incorporated by reference to Exhibit 10.2 from our Registration Statement on Form F-1 (file no. 333-142367) filed with the Securities and Exchange Commission on April 25, 2007).</b>
4.11	<b>Form of Employment Agreement between the Registrant and Senior Executive Officers of the Registrant (incorporated by reference to Exhibit 4.11 from our Annual Report on Form 20-F filed with the Securities and Exchange Commission on May 28, 2010)</b>
4.12	<b>Form of Director Agreement between the Registrant and certain independent directors (incorporated by reference to Exhibit 4.12 from our Annual Report on Form 20-F filed with the Securities and Exchange Commission on June 9, 2008).</b>
4.13	<b>English Translation of Authorization License for Usage of Trademark between China Electric Equipment Group Co., Ltd. and Sunergy Nanjing dated as of June 7, 2006(incorporated by reference to Exhibit 10.4 from our Registration Statement on Form F-1 (file no. 333-142367) filed with the Securities and Exchange Commission on April 25, 2007).</b>
4.14	<b>English Translation of Trademark License Agreement between China Electric Equipment Group Co., Ltd. and Sunergy Nanjing dated as of March 15, 2006(incorporated by reference to Exhibit 10.5 from our Registration Statement on Form F-1 (file no. 333-142367) filed with the Securities and Exchange Commission on April 25, 2007).</b>
4.15	<b>English Translation of License Authorization for Usage of Trademark between China Electric Equipment Group Co., Ltd. and Sunergy Nanjing dated as of February 9, 2006(incorporated by reference to Exhibit 10.6 from our Registration Statement on Form F-1 (file no. 333-142367) filed with the Securities and Exchange Commission on April 25, 2007).</b>
4.16	<b>English Translation of Purchase Contract between Jiangsu Zhongneng and Sunergy Nanjing dated as of March 1, 2007 (incorporated by reference to Exhibit 10.24 from our Registration Statement on Form F-1 (file no. 333-142367) filed with the Securities and Exchange Commission on April 25, 2007).</b>
4.17	<b>English Translation of Property Lease Contract between CEEG (Nanjing) Special Transformers Co., Ltd. and Sunergy Nanjing dated as of August 29, 2006 (incorporated by reference to Exhibit 10.37 from our Registration Statement on Form F-1 (file no. 333-142367) filed with the Securities and Exchange Commission on April 25, 2007).</b>
4.18	<b>Series A and Series B Preferred Shares Sale and Purchase Agreement dated as of March 22, 2007 (incorporated by reference to Exhibit 10.39 from our Registration Statement on Form F-1 (file no. 333-142367) filed with the Securities and Exchange Commission on April 25, 2007).</b>
4.19	<b>English Translation of Joint Venture Contract between Sunergy BVI and CEEG in 2007 (incorporated by reference to Exhibit 4.50 from our Annual Report on Form 20-F filed with the Securities and Exchange Commission on June 9, 2008).</b>
4.20	<b>English Translation of Land Use Right Transfer Agreement between China Electric Equipment Group Co., Ltd. and Sunergy Nanjing dated as of July 23, 2007 (incorporated by reference to Exhibit 4.51 from our Annual Report on Form 20-F filed with the Securities and Exchange Commission on June 9, 2008).</b>

Exhibit Number	Description of Document
4.21	<b>English Translation of Equity Interest Transfer Agreement regarding the transfer of equity interest in China Sunergy (Shanghai) Co., Ltd. between China Electric Equipment Group Co., Ltd. and China Sunergy (Hong Kong) Co., Limited dated as of September 1, 2008 (incorporated by reference to Exhibit 4.61 from our Annual Report on Form 20-F filed with the Securities and Exchange Commission on June 26, 2009)</b>
4.22	<b>ADS Lending Agreement, dated June 25, 2008, among Credit Suisse Securities (Europe) Limited, Credit Suisse, London Branch, and the Registrant (incorporated by reference to Exhibit 99.1 of the Report of Foreign Private Issuer on Form 6-K filed by China Sunergy Co., Ltd. on July 2, 2008).</b>
4.23	<b>English Translation of EPC Contract for Multiple BIPV Photovoltaic Grid-Connected System Demonstration Project of CEEG Nanjing Science and Technology Park between CEEG (Nanjing) Solar Research Institute Co., Ltd. and Sunergy Nanjing dated as of December 29, 2009 (incorporated by reference to Exhibit 4.70 from our Annual Report on Form 20-F filed with the Securities and Exchange Commission on May 28, 2010)</b>
4.24	<b>English Translation of Security Agreement between China Electric Equipment Group Co., Ltd. and Sunergy Nanjing dated as of April 26, 2010 (incorporated by reference to Exhibit 4.79 from our Annual Report on Form 20-F filed with the Securities and Exchange Commission on May 28, 2010)</b>
4.25	<b>English Translation of Share Transfer Agreement of CEEG (Nanjing) Renewable Energy Co., Ltd. among China Electric Equipment Group Co., Ltd., Sundex Holdings Limited and Sunergy Nanjing dated as of March 15, 2010 (incorporated by reference to Exhibit 4.84 from our Annual Report on Form 20-F filed with the Securities and Exchange Commission on May 28, 2010)</b>
4.26	<b>English Translation of Share Transfer Agreement of CEEG (Shanghai) Solar Science &amp; Technology Co., Ltd. among China Electric Equipment Group Co., Ltd., Sundex Holdings Limited and Sunergy Nanjing dated as of March 15, 2010 (incorporated by reference to Exhibit 4.85 from our Annual Report on Form 20-F filed with the Securities and Exchange Commission on May 28, 2010)</b>
4.27	<b>English Translation of Form of Real Estate Sale Contract between CEEG (Nanjing) Special Transformer Manufacturing Co., Ltd. and CEEG (Nanjing) Renewable Energy Co., Ltd. (incorporated by reference to Exhibit 4.109 from our Annual Report on Form 20-F filed with the Securities and Exchange Commission on April 29, 2011)</b>
4.28	<b>English Translation of Purchase Contract between CEEG (Nanjing) Semiconductor Co., Ltd. and Sunergy Nanjing dated as of May 10, 2010 and Supplementary Contract dated as of May 31, 2010 (incorporated by reference to Exhibit 4.110 from our Annual Report on Form 20-F filed with the Securities and Exchange Commission on April 29, 2011)</b>
4.29	<b>English Translation of Premises Lease Contract between CEEG (Nanjing) Special Transformer Manufacturing Co., Ltd. and CEEG (Nanjing) Renewable Energy Co., Ltd. dated as of November 1, 2010 (incorporated by reference to Exhibit 4.115 from our Annual Report on Form 20-F filed with the Securities and Exchange Commission on April 29, 2011)</b>
4.30	<b>English Translation of State-owned Land Use Right Transfer Contract between CEEG (Nanjing) Special Transformer Manufacturing Co., Ltd. and CEEG (Nanjing) Renewable Energy Co., Ltd. dated as of December 30, 2010 (incorporated by reference to Exhibit 4.116 from our Annual Report on Form 20-F filed with the Securities and Exchange Commission on April 29, 2011)</b>



Exhibit Number	Description of Document
4.31	<b>English Translation of Sales Contract between CEEG (Nanjing) Renewable Energy Co., Ltd. and CEEG (Nanjing) Solar Research Institute Co., Ltd. dated as of December 20, 2010 (incorporated by reference to Exhibit 4.117 from our Annual Report on Form 20-F filed with the Securities and Exchange Commission on April 29, 2011)</b>
4.32	<b>Loan Agreement between China Sunergy (Nanjing) Co., Ltd. and China Electric Equipment Group Corporation Ltd., dated as of June 27, 2011 (incorporated by reference to Exhibit 99.2 from our Press Release on Form 6-K filed with the Securities and Exchange Commission on July 1, 2011)</b>
4.33 *†	<b>English Translation of Long Term Sales Contract between Sunergy Nanjing and Suzhou GCL Photovoltaic Technology Co., Ltd., dated as of January 17, 2011</b>
4.34 *	<b>English Translation of Long Term Purchase Contract between CEEG (Nanjing) Semiconductor Co., Ltd. and Sunergy Nanjing dated as of September 22, 2011</b>
4.35 *	<b>English Translation of Purchase Contract between CEEG (Nanjing) Semiconductor Co., Ltd. and Sunergy Nanjing dated as of March 9, 2011</b>
4.36 *	<b>English Translation of Purchase Contract between CEEG (Nanjing) Semiconductor Co., Ltd. and Sunergy Nanjing dated as of June 7, 2011</b>
4.37 *	<b>English Translation of Purchase Contract between CEEG (Nanjing) Semiconductor Co., Ltd. and Sunergy Nanjing dated as of June 23, 2011</b>
4.38 *	<b>English Translation of Purchase Contract between CEEG (Nanjing) Semiconductor Co., Ltd. and Sunergy Nanjing dated as of July 15, 2011</b>
4.39 *	<b>English Translation of Purchase Contract between CEEG (Nanjing) Semiconductor Co., Ltd. and Sunergy Nanjing dated as of November 17, 2011</b>
4.40 *	<b>English Translation of Sales Contract between Sunergy Nanjing and CEEG (Nanjing) Solar Research Institute Co., Ltd. dated as of August 19, 2011</b>
4.41 *	<b>English Translation of Sales Contract between Sunergy Nanjing and CEEG (Nanjing) Solar Research Institute Co., Ltd. dated as of August 19, 2011</b>
4.42 *	<b>English Translation of Agreement between CEEG (Nanjing) Renewable Energy Co., Ltd., CEEG (Nanjing) Solar Research Institute Co., Ltd., CEEG, CEEG (Nanjing) Semiconductor Co., Ltd., CEEG Nanjing International Trade Co., Ltd., CEEG (Nanjing) Special Transformer Co., Ltd., and CEEG (Jiangsu) Insulative New Material CO., Ltd. dated as of December 31, 2011</b>
4.43 *	<b>English Translation of Maximum Guarantee Contract between Jiangsu Xinde Asset Management Co., Ltd. and Bank of Communications dated as of May 26, 2011</b>
4.44 *	<b>English Translation of Maximum Guarantee Contract between Jiangsu Xinde Asset Management Co., Ltd. and Bank of Communications dated as of May 26, 2011</b>
4.45 *	<b>English Translation of Maximum Guarantee Contract between Jiangsu Xinde Asset Management Co., Ltd. and Evergrowing Bank dated as of January 4, 2011</b>
4.46 *	<b>English Translation of Maximum Guarantee Contract between Jiangsu Xinde Asset Management Co., Ltd. and Evergrowing Bank dated as of February 28, 2012</b>
4.47 *	<b>English Translation of Security Agreement between China Electric Equipment Group Co., Ltd. and Sunergy Nanjing dated as of April 12, 2012</b>
4.48 *	<b>English Translation of Facility Lease Agreement between CEEG (Nanjing) Special Transformers Co., Ltd. and CEEG (Nanjing) Renewable Energy Co., Ltd. dated as of May 1, 2011</b>

Exhibit Number	Description of Document
4.49 *	<b>English Translation of Facility Lease Agreement between CEEG (Nanjing) Special Transformers Co., Ltd. and Sunergy Nanjing in 2011 (undated)</b>
4.50 *	<b>English Translation of State-owned Land Use Right Assignment Contract between Yizheng Land and Resources Bureau and China Sunergy (Yangzhou) Co., Ltd. dated as of November 17, 2011</b>
4.51 *	<b>English Translation of State-owned Land Use Right Assignment Contract between Yizheng Land and Resources Bureau and China Sunergy (Yangzhou) Co., Ltd. dated as of December 6, 2011</b>
8.1 *	<b>Subsidiaries of the Registrant.</b>
11.1	<b>Code of Business Conduct and Ethics of the Registrant (incorporated by reference to Exhibit 99.1 from Registration Statement on Form F-1 (file no. 333-142367) filed with the Securities and Exchange Commission on April 25, 2007).</b>
12.1*	<b>Principal Executive Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</b>
12.2*	<b>Principal Financial Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</b>
13.1*	<b>Principal Executive Officer Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</b>
13.2*	<b>Principal Financial Officer Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</b>
15.1*	<b>Consent of Conyers Dill &amp; Pearman (Cayman) Limited.</b>
15.2*	<b>Consent of Jun He Law Offices.</b>
15.3*	<b>Consent of Deloitte Touche Tohmatsu CPA Ltd., Independent Registered Public Accounting Firm.</b>
101**	<b>INS XBRL Instance Document.</b>
101**	<b>SCH XBRL Taxonomy Extension Schema Document.</b>
101**	<b>CAL XBRL Taxonomy Extension Calculation Linkbase Document.</b>
101**	<b>DEF XBRL Taxonomy Extension Definition Linkbase Document.</b>
101**	<b>LAB XBRL Taxonomy Extension Label Linkbase Document.</b>
101**	<b>PRE XBRL Taxonomy Extension Presentation Linkbase Document.</b>

\* Filed with this Annual Report on Form 20-F.

† Confidential treatment is being requested with respect to portions of this exhibit and such confidential treatment portions have been deleted and replaced with “\*\*\*\*\*” and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Exchange Act of 1934.

\*\* XBRL (Extensible Business Reporting Language) information is furnished and not filed or a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of Section 18 of the Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.

## SIGNATURES

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

CHINA SUNERGY CO., LTD.

By: /s/ Stephen Zhifang Cai  
Name: Stephen Zhifang Cai  
Title: Chief Executive Officer

Date: April 26, 2012

**CHINA SUNERGY CO., LTD.**

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## **REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Shareholders of China Sunergy Co. Ltd:

We have audited the accompanying consolidated balance sheets of China Sunergy Co., Ltd. (the "Company") and subsidiaries (collectively referred to as the "Group") as of December 31, 2010 and 2011, and the related consolidated statements of operations, changes in equity and comprehensive income (loss), and cash flows for each of the three years in the period ended December 31, 2011 and the related financial statement schedule included in Schedule I. These financial statements and financial statement schedule are the responsibility of the Group's management. Our responsibility is to express an opinion on the financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2010 and 2011, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2011, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Group's internal control over financial reporting as of December 31, 2011, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated April 26, 2012 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ DELOITTE TOUCHE TOHMATSU CPA LTD.

Nanjing, China  
April 26, 2012

**CHINA SUNERGY CO., LTD.**  
**CONSOLIDATED BALANCE SHEETS**  
(In U.S. dollars, except for share data)

	December 31,	
	2010	2011
	\$	\$
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	106,468,070	209,478,864
Restricted cash	84,988,128	84,434,680
Accounts receivable, net of allowance for doubtful accounts of \$3,213,378 and \$15,869,894 in 2010 and 2011, respectively	65,580,727	152,285,987
Advanced to suppliers	8,503,484	5,418,925
Amounts due from related parties	42,577,666	634,058
Inventories	72,334,967	43,977,417
Project assets	-	9,203,936
Deferred tax assets	3,940,863	6,416,008
VAT tax receivables	17,868,203	39,910,040
Income tax receivable	-	2,604,397
Prepaid expense and other current assets	5,334,618	6,984,968
Total current assets	407,596,726	561,349,280
Property, plant and equipment, net	111,628,940	164,535,473
Prepaid land use rights	11,041,807	23,359,916
Intangible assets, net	7,625,671	4,838,946
Goodwill	14,806,586	-
Deferred tax assets	3,118,252	17,598,302
Restricted cash-collateral account	18,521,580	1,654,240
Convertible senior notes issuance cost	2,610,744	980,683
Amount due from related parties	-	29,621,962
Other long-term assets	1,128,404	5,969,825
TOTAL ASSETS	578,078,710	809,908,627

**CHINA SUNERGY CO., LTD.**  
**CONSOLIDATED BALANCE SHEETS**  
(In U.S. dollars, except for share data)

	December 31,	
	2010	2011
	\$	\$
<b>LIABILITIES AND EQUITY</b>		
Current liabilities:		
Short-term bank borrowings	139,529,915	286,887,593
Current portion of long term borrowing	-	35,328,572
Accounts payable	51,645,593	47,720,422
Notes payable	31,633,620	56,206,154
Amounts due to related parties	2,462,954	57,609,521
Accrued payroll and welfare	6,141,538	4,296,061
Accrued expenses and other current liabilities	8,146,193	9,740,666
Deferred tax liability	654,026	786,358
Income tax payable	6,162,196	-
Total current liabilities	246,376,035	498,575,347
Long-term debt	30,199,160	125,438,845
Collateral account payable	18,521,580	1,654,240
Deferred tax liability	1,683,527	1,045,435
Convertible senior notes	44,000,000	27,500,000
Accrued warranty cost	8,630,604	14,763,321
Other liabilities	1,858,985	1,845,025
Total liabilities	351,269,891	670,822,213
Commitments and contingencies (Note 18)		
Equity:		
Ordinary share (par value \$0.0001; 463,247,600 shares authorized, 267,287,253 shares issued and outstanding as of December 31, 2010 and 2011)	26,729	26,729
Additional paid-in capital	185,475,047	185,366,825
Retained earnings (accumulated deficit)	13,286,290	(81,006,405)
Accumulated other comprehensive income	28,020,753	34,699,265
Total equity	226,808,819	139,086,414
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>578,078,710</b>	<b>809,908,627</b>

**CHINA SUNERGY CO., LTD.**

**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(In U.S. dollars, except for share data)

	Years ended December 31,		
	2009	2010	2011
	\$	\$	\$
Sales to third parties	202,520,261	250,957,135	556,121,653
Sales to related parties	82,345,108	266,262,042	10,170,102
Total revenues	284,865,369	517,219,177	566,291,755
Cost of sales to third parties	(190,124,637)	(214,299,556)	(556,741,244)
Cost of sales to related parties	(78,127,432)	(210,617,110)	(7,732,879)
Cost of revenues	(268,252,069)	(424,916,666)	(564,474,123)
Gross profit	16,613,300	92,302,511	1,817,632
Selling and marketing expenses	(2,920,337)	(5,466,805)	(19,148,678)
General and administrative expenses	(24,517,431)	(17,518,189)	(41,182,119)
Research and development expenses	(4,381,060)	(3,345,644)	(6,718,265)
Goodwill impairment loss	-	-	(14,806,586)
Total operating expenses	(31,818,828)	(26,330,638)	(81,855,648)
Income (loss) from operations	(15,205,528)	65,971,873	(80,038,016)
Interest expense	(7,719,301)	(9,065,363)	(23,458,361)
Interest income	1,632,550	1,161,685	2,505,432
Changes in fair value of derivatives	8,019,632	2,919,710	(5,173,903)
Other income (expense), net	2,100,591	(3,686,488)	(1,899,809)
Income (loss) before income taxes	(11,172,056)	57,301,417	(108,064,657)
Tax benefit (expense)	902,709	(5,567,162)	13,771,962
Net income (loss)	(10,269,347)	51,734,255	(94,292,695)
Net income (loss) per share:			
Basic	\$ (0.04)	\$ 0.22	\$ (0.39)
Diluted	\$ (0.04)	\$ 0.21	\$ (0.39)
Shares used in computation:			
Basic	239,366,840	240,545,811	240,701,253
Diluted	239,366,840	262,009,223	240,701,253

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



**CHINA SUNERGY CO., LTD.**

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
AND COMPREHENSIVE INCOME ( LOSS)  
(In U.S. dollars, except for share data)**

	Ordinary shares		Additional paid-in capital	Subscription receivable	Retained earnings (accumulated deficit)	Accumulated other comprehensive income	Noncontrolling interest	Total	comprehensive income (loss)
	Number	\$	\$	\$	\$	\$	\$	\$	\$
Balance at January 1, 2009	267,766,443	26,777	184,010,248	(405,313)	(28,178,618)	21,057,815	299,020	176,809,929	
Cancellation of restricted shares	(479,190)	(48)	(431)	-	-	-	-	(479)	
Share-based compensation	-	-	1,327,033	-	-	-	-	1,327,033	
Net loss	-	-	-	-	(10,269,347)	-	-	(10,269,347)	(10,269,347)
Foreign currency adjustment	-	-	-	-	-	150,535	-	150,535	150,535
Acquisition of non-controlling interest	-	-	-	-	-	-	(299,020)	(299,020)	-
Balance at December 31, 2009	267,287,253	26,729	185,336,850	(405,313)	(38,447,965)	21,208,350	-	167,718,651	(10,118,812)
Share-based compensation	-	-	543,510	-	-	-	-	543,510	-
Net income	-	-	-	-	51,734,255	-	-	51,734,255	51,734,255
Others	-	-	(405,313)	405,313	-	-	-	-	-
Foreign currency adjustment	-	-	-	-	-	6,812,403	-	6,812,403	6,812,403
Balance at December 31, 2010	267,287,253	26,729	185,475,047	-	13,286,290	28,020,753	-	226,808,819	58,546,658
Share-based compensation	-	-	(108,222)	-	-	-	-	(108,222)	-
Net loss	-	-	-	-	(94,292,695)	-	-	(94,292,695)	(94,292,695)
Foreign currency adjustment	-	-	-	-	-	6,678,512	-	6,678,512	6,678,512
Balance at December 31, 2011	267,287,253	26,729	185,366,825	-	(81,006,405)	34,699,265	-	139,086,414	(87,614,183)

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

**CHINA SUNERGY CO., LTD.**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In U.S. dollars)

	Years ended December 31,		
	2009	2010	2011
	\$	\$	\$
<b>Operating activities:</b>			
Net income (loss)	(10,269,347)	51,734,255	(94,292,695)
Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities:			
Depreciation and amortization	10,275,173	12,842,241	20,600,715
Bad debt provision	7,332,039	1,021,669	12,267,390
Share-based compensation	1,327,033	543,510	(108,222)
Loss from disposal of property, plant and equipment	553,478	120,048	1,211,206
Impairment losses	824,676	-	14,806,586
Loss (gain) on changes in fair value of derivatives	(8,019,632)	(2,919,710)	-
Gain on repurchase of convertible senior notes	(2,155,000)	-	(7,440,000)
Amortization of convertible senior notes issuance cost and share-lending arrangement	1,393,248	1,000,395	1,630,061
Others	(25,613)	-	(223,638)
<b>Changes in operating assets and liabilities:</b>			
Accounts receivable	(13,770,289)	(3,475,821)	(99,447,828)
Amounts due from related parties	(3,519,348)	(20,253,111)	12,321,646
Advanced to suppliers	7,187,824	(168,096)	3,084,559
Inventories	36,479,538	(23,504,393)	28,256,976
Project assets	-	-	(9,203,936)
Prepaid expenses and other current assets and VAT tax receivable	7,693,484	(6,726,868)	(23,692,187)
Other long term assets	-	-	(4,841,421)
Deferred tax assets	(902,709)	(777,610)	(17,460,955)
Accounts payable	7,122,380	7,297,823	17,775,265
Amount due to related parties	(12,509,362)	6,197,471	47,037,344
Advances from customers	(491,938)	797,265	(436,535)
Accrued expenses and other liabilities	(625,061)	6,468,454	6,418,822
Deferred other income	1,199,203	(163,787)	209,678
Income tax payable	-	6,344,771	(8,766,593)
Prepaid land use rights and intangible assets	(134,759)	(5,626,346)	(12,618,645)
<b>Net cash provided by (used in) operating activities</b>	<b>28,965,018</b>	<b>30,752,160</b>	<b>(112,912,407)</b>
<b>Investing activities:</b>			
Acquisition of subsidiaries	-	(46,048,500)	-
Cash assumed upon acquisition	-	15,964,351	-
Purchases of property, plant and equipment	(9,887,686)	(14,630,862)	(60,676,805)
Subsidy received from local government to purchase plant and equipment	25,613	-	-
Proceeds from disposal of PPE	-	-	26,933
Change in restricted cash	6,722,087	(7,102,851)	553,448
<b>Net cash used in investing activities</b>	<b>(3,139,986)</b>	<b>(51,817,862)</b>	<b>(60,096,424)</b>

**CHINA SUNERGY CO., LTD.**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In U.S. dollars)

	Years ended December 31,		
	2009	2010	2011
	\$	\$	\$
<b>Financing activities:</b>			
Repurchase of convertible senior notes	(1,845,000)	-	(9,060,000)
Acquisition of noncontrolling interest	(299,020)	-	-
Cancellation of restricted shares	(479)	-	-
Proceeds from short-term bank borrowings	130,986,537	133,567,729	587,785,523
Proceeds from long-term bank borrowings	-	30,199,160	204,792,588
Repayment of short-term bank borrowings	(125,864,004)	(168,391,955)	(522,582,754)
Net cash provided by (used in) financing activities	2,978,034	(4,625,066)	260,935,357
Effect of exchange rate changes on cash and cash equivalents	251,937	8,304,136	15,084,268
Net increase (decrease) in cash and cash equivalents	29,055,003	(17,386,632)	103,010,794
Cash and cash equivalents at the beginning of the year	94,799,699	123,854,702	106,468,070
Cash and cash equivalents at the end of the year	123,854,702	106,468,070	209,478,864
<b>Supplemental disclosure of cash flow information:</b>			
Interest paid, net of interest capitalized	6,334,495	6,674,234	23,157,984
Income taxes paid	-	1,580,299	12,455,586
<b>Supplemental disclosure of non-cash investing activities:</b>			
Restricted cash collateral received in connection with share-lending arrangement	2,968,770	(1,949,640)	(16,867,340)
Purchase of property, plant and equipment included in accounts payable	289,414	5,827,699	8,699,797
<b>Major assets acquired and liabilities assumed upon acquisition:</b>			
Accounts receivable (net)	-	45,124,386	-
Amount due from related parties	-	78,365,265	-
Inventories	-	30,023,910	-
Other current Assets (excluding cash acquired)	-	45,077,777	-
Property, plant and equipment (net)	-	10,255,200	-
Account payables	-	44,997,729	-
Amount due to related parties	-	74,737,639	-
Other current liabilities	-	77,981,754	-

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

# CHINA SUNERGY CO., LTD.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2009, 2010 AND 2011 (In U.S. dollars, except share data and unless otherwise stated)

### 1. ORGANIZATION AND PRINCIPAL ACTIVITIES

China Sunergy Co., Ltd. (the "Company" or "China Sunergy Cayman") was incorporated under the laws of the Cayman Islands on August 4, 2006. The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in the design, development, manufacturing and marketing of solar cells and modules in the People's Republic of China (the "PRC") and overseas markets.

As of December 31, 2011, the Company's subsidiaries include the following entities:

Subsidiaries' Name	Principal Activities	Date of Incorporation or acquisition	Percentage of Ownership	Place of Incorporation
China Sunergy Co., Ltd. ("China Sunergy BVI")	Investment Holding	January 27, 2006	100%	British Virgin Islands
China Sunergy (Hong Kong) Co., Limited ("Sunergy Hong Kong")	Investment Holding	December 7, 2007	100%	Hong Kong
China Sunergy Europe GmbH China Sunergy (Nanjing) Co., Ltd. ("Sunergy Nanjing")	Marketing Service	November 27, 2007	100%	Germany
China Sunergy (Shanghai) Co., Ltd. ("Sunergy Shanghai")	Solar cells manufacturing	August 2, 2004	100%	PRC
CEEG (Shanghai) Solar Science Technology Co., Ltd. ("SST")	Solar cells manufacturing	November 1, 2007	100%	PRC
CEEG (Nanjing) Renewable Energy Co., Ltd ("NRE")	Modules manufacturing	November 1, 2010	100%	PRC
China Sunergy (US) Clean Tech Inc	Modules manufacturing	November 1, 2010	100%	PRC
China Sunergy Trading (Hong Kong) Co., Limited	Sales & Marketing service April 8, 2011		100%	US
China Sunergy (Yangzhou) Co., Ltd	Trading	May 4, 2011	100%	Hong Kong
	Solar cell			
	Manufacturing and R&D	June 30, 2011	100%	PRC
China Sunergy Luxembourg S.A	Photovoltaic project's			
	Engineering & sales	August 5, 2011	100%	Luxembourg

On November 1, 2010, Sunergy Nanjing acquired all equity interests of SST and NRE. See Note 3 "Business acquisitions" for details.

In 2011, the Group established China Sunergy Luxembourg S.A. through acquisition of a shell company and began entering into arrangements to develop commercial solar power systems ("project assets"). The details of the project assets are discussed in Note 2(h).

**CHINA SUNERGY CO., LTD.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2009, 2010 AND 2011  
(In U.S. dollars, except share data and unless otherwise stated)**

**2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES**

**(a) Basis of presentation**

The consolidated financial statements of the Group have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP").

**(b) Basis of consolidation**

The consolidated financial statements include the assets, liabilities, revenues and expenses of the Group. All significant intercompany transactions and balances have been eliminated on consolidation.

**(c) Use of estimates**

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates. The Group bases its estimates on historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Significant accounting estimates reflected in the consolidated financial statements include valuation allowances of deferred tax assets, contingent liability relates to outstanding legal proceedings, inventory valuation, purchase commitment, allowance on accounts receivable and supplier advances, provision of warranty costs, assumptions used in calculating the fair value of an embedded derivative in a long-term purchase contract and foreign exchange forward contracts, forfeiture rate of options, purchase price allocations and the useful lives for property, plant and equipment, intangible assets and impairment of intangible assets and goodwill.

**(d) Cash and cash equivalents and restricted cash**

Cash and cash equivalents consist of cash on hand and demand deposits, which are unrestricted as to withdrawal and use, and which have original maturities of three months or less.

Restricted cash represents bank deposits for securing letters of credit, bank promissory notes and bank guarantees that are not available for use in operations.

CHINA SUNERGY CO., LTD.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES - continued

(e) Fair value of financial instruments

Assets and liabilities that are recorded at fair value on a recurring basis reflect fair value as the price that would be received from the sale of an asset or paid to transfer a liability (an exit price) on the measurement date in an orderly transaction between market participants in the principal or most advantageous market for the asset or liability. The Company applies a hierarchy of valuation techniques, which is based on whether the inputs into the valuation technique are observable or unobservable. The hierarchy is as follows:

- Level 1 — Valuation techniques in which all significant inputs are unadjusted quoted prices from active markets for assets or liabilities that are identical to the assets or liabilities being measured.
- Level 2 — Valuation techniques in which significant inputs include quoted prices from active markets for assets or liabilities that are similar to the assets or liabilities being measured and/or quoted prices for assets or liabilities that are identical or similar to the assets or liabilities being measured from markets that are not active. Also, model-derived valuations in which all significant inputs and significant value drivers are observable in active markets are Level 2 valuation techniques.
- Level 3 — Valuation techniques in which one or more significant inputs or significant value drivers are unobservable. Unobservable inputs are valuation technique inputs that reflect the Group's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

When available, the Group uses quoted market prices to determine the fair value of an asset or liability. If quoted market prices are not available, the Group measures fair value using valuation techniques that use, when possible, current market-based or independently-sourced market parameters, such as interest rates and currency rates.

(f) Account Receivables and Allowance for Doubtful Accounts

Trade receivables are recognized and carried at the original transaction amount less an allowance for doubtful accounts. The Group maintains allowances for doubtful accounts for uncollectible accounts receivables. Estimates of anticipated losses from doubtful accounts are based on days past due, historical collection and other factors.

(g) Inventories

Inventories are stated at the lower of cost or market value. Cost is determined using the weighted-average method.

The Group estimates excess and slow moving inventory based upon assumptions of future demands and market conditions. If actual market conditions are less favorable than projected by management, additional inventory write-downs may be required.

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2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES - continued

(h) Project assets

Project assets consist primarily of costs relating to solar power projects in various stages of development that are capitalized prior to the sale of the solar power project. These costs include modules and development costs.

Project assets consisted of the following at December 31, 2011:

	<u>Years ended December 31,</u> 2011
Project assets – Module cost	\$ 3,643,086
Project assets – Development	\$ 5,560,850
Total	<u>\$ 9,203,936</u>

The Group reviews project assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. In determining whether or not the project assets are recoverable, the Company considers a number of factors, including changes in environmental, ecological, permitting, or regulatory conditions that affect the project. Such changes may cause the cost of the project to increase or the selling price of the project to decrease.

(i) Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated depreciation and amortization. Depreciation and amortization are provided on a straight-line basis over the following estimated useful lives:

Buildings	20 years
Machinery	10 years
Furniture, fixtures and equipment	5 years
Motor vehicles	5 years
Leasehold improvements	over the shorter of the lease term or their estimated useful lives

**CHINA SUNERGY CO., LTD.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES - continued

(i) Property, plant and equipment - continued

Costs incurred in constructing new facilities, including progress payments and other costs related to construction, are capitalized and transferred to property, plant and equipment on completion, at which time depreciation commences. Interest cost incurred and capitalized in respect of construction of new facilities amounted to \$1,074,430, \$115,748 and \$1,290,561 for the years ended December 31, 2009, 2010 and 2011, respectively.

(j) Prepaid land use rights

Prepaid land use rights are recorded at cost and are charged to income statement ratably over 50 years, according to the term of the land use right agreement.

(k) Intangible assets, net

Intangible assets consist primarily of customer relationships acquired in business combinations and are amortized on a straight line basis. Intangible assets acquired through business combinations are recognized as assets separate from goodwill if they satisfy either the “contractual-legal” or “separability” criterion. Intangible assets are recognized and measured at fair value upon acquisition.

(l) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the identifiable assets less liabilities acquired. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired. The Group completes a two-step goodwill impairment test. The first step compares the fair value of each reporting unit to its carrying amount, including goodwill. If the fair value of a reporting unit exceeds its carrying amount, goodwill is not considered to be impaired and the second step will not be required. If the carrying amount of a reporting unit exceeds its fair value, the second step compares the implied fair value of goodwill to the carrying value of a reporting unit's goodwill. The implied fair value of goodwill is determined in a manner similar to accounting for a business combination with the allocation of the assessed fair value determined in the first step to the assets and liabilities of the reporting unit. The excess of the fair value of the reporting unit over the amounts assigned to the assets and liabilities is the implied fair value of goodwill. This allocation process is only performed for purposes of evaluating goodwill impairment and does not result in an entry to adjust the value of any assets or liabilities. An impairment loss is recognized for any excess in the carrying value of goodwill over the implied fair value of goodwill. Management performs its annual goodwill impairment in November.

In 2011, the Group fully impaired the goodwill of \$14.8 million based on the annual goodwill impairment test results. No impairment of goodwill was recorded in 2009 or 2010.



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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES - continued

(m) Impairment of long-lived assets

The Group evaluates its long-lived assets and finite lived intangibles for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. When these events occur, the Group measures impairment by comparing the carrying amount of the assets to future undiscounted net cash flows expected to result from the use of the assets and their eventual disposition. If the sum of the expected undiscounted cash flows is less than the carrying amount of the assets, the Group would recognize an impairment loss equal to the excess of the carrying amount over the fair value of the assets.

The Group identified certain long-lived assets that were no longer actively used due to obsolete technology or poor physical conditions as of December 31, 2009. Such assets were determined to be impaired, and an impairment charge of \$824,676 was recorded in general and administrative expenses in the consolidated statement of operations. There was no impairment charge recognized during the years ended December 31, 2010 or 2011.

(n) Derivative financial instruments

The Group enters into certain long-term supply contracts that may contain embedded derivatives that need to be bifurcated if the terms of the contracts are neither denominated in the functional/local currency of either of the contracted parties nor in the currency such goods are routinely denominated in international commerce. The Group accounts for such embedded derivatives at fair value and records the change in the statement of operations.

The Group entered into certain foreign exchange forward contracts to protect against volatility of future cash flows caused by the changes in foreign exchange rates associated with sales contracts denominated in Euro or U.S. dollar. The Group recognizes all derivative instruments as either assets or liabilities at fair value in the consolidated balance sheets. The derivatives do not qualify for hedge accounting and, as a result, the changes in fair value of the derivatives are recognized in the statement of operations.

(o) Income taxes

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

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2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES - continued

(p) Revenue recognition

Sales of solar cells and modules are recorded when persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable, and collectability is reasonably assured. Delivery is considered to have occurred when the risks, rewards and ownership of the products are transferred from the Group to its customers. The majority of the Group's sales contracts include the shipping terms Free on Board ("FOB") and Cost, Insurance and Freight ("CIF"). Based on the nature of these shipping terms, the Group's obligation to deliver has been fulfilled when the goods pass over the ship's rail at the named port of shipment which is specified in each contract.

Customers do not have any general rights of return, but may be allowed to exchange for goods that are not defective for a 30 to 45 day period. The Group has recorded the estimated replacement costs, which have been immaterial for all periods, in cost of revenue upon recognition of revenue. A portion of the Group's sales to domestic customers require the customers to prepay before delivery has occurred. Such prepayments are recorded as advances from customers in the consolidated balance sheets until delivery has occurred. A majority of the Group's contracts with overseas customers are written such that the customer takes title and assumes the risks and rewards of ownership of the products upon shipment. Accordingly, the Group recognizes revenue upon documentary evidence of shipment, assuming all other criteria have been met.

(q) Buy-and-sell arrangements

In 2009 and 2010, the Group enters into arrangements wherein the Group purchases raw material silicon wafers and sells poly silicon or solar cells to the same counterparties. These arrangements are to maintain the quantity and quality of our silicon wafer supply, which are a key input into the production of solar cells.

In 2011, the Group entered into an arrangement whereby the Group sells solar wafers or solar cells, to a third party, and purchases finished goods, including solar cells or solar modules from this third party. The group entered into this transaction in order to ensure the quality of the finished goods it was purchasing.

Based on the substance of the arrangements, the Group records such transactions at the market value.

Transactions under buy-and-sell arrangement are as follows:

	Years ended December 31,		
	2009	2010	2011
	\$	\$	\$
<b>Sell:</b>			
Polysilicon	17,253,185	12,962,514	-
Solar wafer	-	-	1,126,939
Solar cell.	-	1,078,520	2,409,196
<b>Purchase:</b>			
Solar wafer	69,823,276	62,506,786	-
Solar cell	-	-	6,562,641
Solar module	-	-	12,523,974

**CHINA SUNERGY CO., LTD.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES - continued

(r) Cost of revenue

Cost of revenue includes production and indirect costs, as well as warranty costs.

(s) Research and development

Research and development costs are expensed when incurred.

(t) Advertising expenses

Advertising costs are expensed as incurred. The Group incurred advertising costs amounting to \$425,750, \$795,162 and \$1,756,612 for the years ended December 31, 2009, 2010 and 2011, respectively.

(u) Shipping and handling cost

Shipping and handling cost for products sold are expensed as incurred and included in sales and marketing expense. The Group incurred shipping and handling cost amounting to \$395,420, \$1,109,010 and \$4,172,910 for the years ended December 31, 2009, 2010 and 2011, respectively.

(v) Warranty cost

Solar modules are typically sold with up to 25 year warranty against specified declines in the initial minimum power generation capacity at the time of sale. In addition, the Group provided warranty for solar modules against defects in materials and workmanship for a period of five years or ten years from the date of sale.

The Group currently accrues for all product warranties on a cumulative basis, based on its best estimate to date. The Group estimates the cost of warranties to be approximately 1.0% of solar module sales and include that amount in cost of revenues. The Group make such estimate based on a number of factors including; i) the nature of the warranties provided, which are consistent with industry practice, ii) actual claim expenses incurred, iii) internal testing results, and iv) other assumptions that affect estimates of warranty costs, including industry data for warranty claim activities and academic research. The Group acknowledges that such estimates require significant judgment and the Group will continue to analyze its claim history, academic research and internal testing results and the performance of its products compared to the Company's competitors in determining the adequacy of warranty accruals. An increase or decrease of 0.1% accrual rate, applicable to sales of solar module, would have resulted in a corresponding increase or decrease in warranty expense of \$0.6 million for the year ended December 31, 2011.

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2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES - continued

(v) Warranty cost - continued

The movement of the Group's accrued warranty costs is summarized below:

	Years ended December 31,		
	2009	2010	2011
	\$	\$	\$
Beginning balance	363,664	513,459	8,630,604
Increase due to acquisition of SST & NRE	-	6,376,107	-
Addition	149,795	1,741,038	6,233,291
Claimed	-	-	(100,574)
Ending balance	513,459	8,630,604	14,763,321

(w) Government grants

Government grants are recognized when received and all the conditions for their receipt have been met. Government grants are recognized as income in the period in which the related expenditures are recorded. Capital grants for the acquisition of equipment are recorded as a liability until earned and then offset against the related capital assets.

(x) Foreign currency translation

The functional and reporting currency of the Company is the United States dollar ("US dollar"). Monetary assets and liabilities denominated in currencies other than the US dollar are translated into US dollar at the rates of exchange in effect at the balance sheet dates. Transactions dominated in currencies other than the US dollar during the year are converted into US dollar at the applicable rates of exchange prevailing when the transactions occur. Transaction gains and losses are recorded in the statements of operations.

The financial records of the Group's subsidiaries are maintained in their local currencies. Assets and liabilities are translated at the exchange rates at the balance sheet date, equity accounts are translated at historical exchange rates and revenue, expenses, gains and losses are translated at the average rate for the period. Translation adjustments are reported as cumulative translation adjustments and are shown as a separate component of other comprehensive income in the statements of equity.

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2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES - continued

(y) Comprehensive income (loss)

Comprehensive income (loss) includes all changes in equity except those resulting from investments by owners and distributions to owners and is comprised of net income (loss) and foreign currency translation adjustments.

(z) Foreign currency risk

The functional currency of the Group's subsidiaries which operate in the PRC is Renminbi ("RMB"). The RMB is not a freely convertible currency. The PRC State Administration for Foreign Exchange, under the authority of the People's Bank of China, controls the conversion of RMB into foreign currencies. The value of the RMB is subject to changes in central government policies and to international economic and political developments affecting supply and demand in the China foreign exchange trading system market. The Group's aggregate amount of cash and cash equivalents and restricted cash denominated in RMB amounted to USD equivalent of \$153,240,564 and \$182,448,391 at December 31, 2010 and 2011, respectively.

(aa) Concentration of credit risk

Financial instruments that potentially expose the Group to significant concentrations of credit risk consist principally of cash and cash equivalents, accounts receivable and advance to suppliers. The Group places its cash and cash equivalents with financial institutions with high-credit ratings and quality.

The Group performs ongoing credit evaluations of customers and suppliers and generally does not require collateral or other security from its customers. The Group establishes an allowance for doubtful accounts primarily based upon the age of the receivables and advances and factors surrounding the credit risk of specific customers and suppliers.

	Years ended December 31,		
	2009	2010	2011
	\$	\$	\$
Opening balance	(1,105,733)	(7,386,030)	(3,213,378)
Addition due to acquisition	-	(374,776)	-
(Addition)/reversal	(7,332,039)	(1,240,666)	(12,267,390)
Write-off	1,081,363	5,996,375	86,052
Effect of exchange rate change in foreign currency	(29,621)	(208,281)	(475,178)
Ending balance	<u>(7,386,030)</u>	<u>(3,213,378)</u>	<u>(15,869,894)</u>

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2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES - continued

(aa) Concentration of credit risk - continued

Details of the non-related customers accounting for 10% or more of total revenue are as follows:

<u>Name of Customer</u>	<u>Years ended December 31,</u>		
	<u>2009</u>	<u>2010</u>	<u>2011</u>
Company A	11%	*	*

\* Less than 10%

Accounts receivable from customers accounting for 10% or more of total gross accounts receivable are as follows:

<u>Name of Customer</u>	<u>At December 31,</u>	
	<u>2010</u>	<u>2011</u>
Company A	21%	*
Company B	13%	*
Company C	*	13%
Company D	*	10%

\* Less than 10%

(bb) Net income (loss) per share

Basic income (loss) per share is computed by dividing income (loss) attributable to holders of ordinary shares by the weighted-average number of ordinary shares outstanding during the year. Diluted income (loss) per ordinary share reflects the potential dilution that could occur if securities or other contracts to issue ordinary shares were exercised or converted into ordinary shares. Generally, ordinary share equivalents are excluded from the computation in loss periods as their effects would be anti-dilutive.

For the years ended December 31, 2009, 2010 and 2011, the Group had securities which could potentially dilute basic earnings per share in the future, but which were excluded from the computation of diluted earnings (loss) per share as their effects would have been anti-dilutive. Such outstanding securities consist of the following:

	<u>Years ended December 31,</u>		
	<u>2009</u>	<u>2010</u>	<u>2011</u>
Outstanding options and restricted shares	2,408,172	965,214	676,744
Assumed conversion of convertible senior notes	21,463,411	-	13,414,632
Total	<u>23,871,583</u>	<u>965,214</u>	<u>14,091,376</u>

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2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES - continued

(bb) Net income (loss) per share - continued

The following table sets forth the computation of basic and diluted income per share for the periods indicated:

	Years ended December 31,		
	2009	2010	2011
Net income (loss) attributable to ordinary shareholders- for the calculation of basic income (loss) per share	\$ (10,269,347)	\$ 51,734,255	\$ (94,262,695)
Interest expense of convertible senior notes	\$ -	\$ 3,090,395	\$ -
Net income (loss) attributable to ordinary shareholders- for the calculation of diluted income (loss) per share	\$ (10,269,347)	\$ 54,824,650	\$ (94,292,695)
Weighted-average ordinary shares outstanding- for the calculation of basic income (loss) per share	239,366,840	240,545,811	240,701,253
Assumed conversion of convertible senior bonds	-	21,463,412	-
Weighted-average ordinary shares outstanding- for the calculation of diluted income (loss) per share	239,366,840	262,009,223	240,701,253
Net income (loss) per share:			
Basic	\$ (0.04)	\$ 0.22	\$ (0.39)
Diluted	\$ (0.04)	\$ 0.21	\$ (0.39)

(cc) Share-based compensation

The Group recognizes the services received in exchange for awards of equity instruments based on the grant-date fair value of the award as determined by the Binomial option pricing model, net of estimated forfeitures. The estimated compensation cost is recognized using the straight-line method over the period the recipient is required to provide services per the conditions of the award. See Note 16, "Share Based Compensation", for further details.

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2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES - continued

(dd) Recently issued accounting pronouncements

In May 2011, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") 2011-04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs* ("ASU 2011-04"). ASU 2011-04 amended the FASB Accounting Standards Codification 820, *Fair Value Measurements and Disclosures* ("ASC 820") to converge the fair value measurement guidance in U.S. generally accepted accounting principles ("GAAP") and International Financial Reporting Standards ("IFRSs"). Some of the amendments clarify the application of existing fair value measurement requirements, while other amendments change particular principles in ASC 820. In addition, ASU 2011-04 requires additional fair value disclosures. ASU 2011-04 is effective for fiscal years beginning after December 15, 2011 and should be applied prospectively. The Group does not expect that ASU 2011-04 will have a significant impact on its consolidated results of operations or financial position.

In June 2011, the FASB issued ASU No. 2011-05, *Comprehensive Income (Topic 220): Presentation of Comprehensive Income* ("ASU 2011-05"). ASU 2011-05 eliminates the option to present the components of other comprehensive income as part of the statement of changes in stockholders' equity and requires an entity to present items of net income, other comprehensive income and total comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In December 2011, the FASB issued ASU 2011-12, *Comprehensive Income (Topic 220): Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05* ("ASU 2011-12"). ASU 2011-12 defers the effective date of the changes in ASU 2011-05 that relate to the presentation of reclassification adjustments for each component of other comprehensive income in both net income and other comprehensive income. The amendments in the ASU's do not change the items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified to net income. ASU 2011-05 and ASU 2011-12 are both effective for fiscal years, and interim periods within those years, beginning after December 15, 2011 and must be applied retrospectively. The Group will be required to adopt ASU 2011-05 and ASU 2011-12 no later than the quarter beginning January 1, 2012. As the ASUs require additional presentation only, there will be no impact to the Group's consolidated results of operations or financial position.

In September 2011, the FASB issued ASU No. 2011-08, *Intangibles-Goodwill and Other (Topic 350): Testing Goodwill for Impairment* ("ASU 2011-08"). ASU 2011-08 gives an entity the option to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test described in Topic 350. Previous guidance required an entity to test goodwill for impairment by first comparing the fair value of a reporting unit with its carrying amount. ASU 2011-08 is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. The Group will be required to adopt ASU 2011-08 as of January 1, 2012 and does not expect that ASU 2011-08 will have a significant impact on its consolidated results of operations or financial position.



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**3. BUSINESS ACQUISITIONS**

On November 1<sup>st</sup>, 2010, Sunergy Nanjing acquired all of equity interests of CEEG (Shanghai) Solar Science & Technology Co., Ltd. ("SST") and CEEG (Nanjing) Renewable Energy Co., Ltd. ("NRE"), both of which were related parties at the time of such transactions, from China Electric Equipment Group Co., Ltd., or CEEG, an entity controlled by Board Chairman Mr. Tingxiu Lu, and Sundex Holdings Limited, a company not affiliated with the Group, at a total consideration of approximate \$46 million. SST and NRE integrate the research and development, production, sales and servicing of solar modules, with total annual production capacities of 480MW as of December 31 2010. The acquisitions facilitate the implementation of corporate strategy to expand into downstream solar power business, including solar module and solutions businesses.

The following table summarizes the consideration paid for SST and NRE and the amounts of the assets acquired and liabilities assumed recognized at the acquisition date, as well as the fair value of recognized intangible assets at the acquisition date:

<b>Consideration</b>	<u>Amount</u> \$
Total consideration paid in cash	46,048,500

<b>Recognized amounts of identifiable assets acquired and Liabilities assumed</b>	<u>Amount</u> \$	<u>Amortization Period</u> Years
Current Assets	214,555,689	
Liabilities assumed	(204,093,228)	
Property, plant and equipment	10,255,200	5-10 years
Land use right	4,784,260	47.7 years
Order backlog	44,852	0.17 years
Customer relationship	8,073,439	3.00 years
Goodwill	14,806,586	
Deferred tax liabilities	(2,378,298)	
Total consideration	46,048,500	

The goodwill of \$14.8 million arising from the acquisition consists largely of the enhanced capabilities of expanding into end user market by the vertical integration.

The amount of SST and NRE's revenue and loss included in the Group's consolidated statements of operations for the year ended December 31, 2010 were \$22,849,337 and \$1,097,111, respectively.

The following table summarizes unaudited pro forma results of operation for the year ended December 31, 2009 and 2010 assuming that all acquisitions occurred as of January 1, 2009. The pro forma results have been prepared for comparative purpose only based on management's best estimate and do not purport to be indicative of the results of operations which actually would have resulted had the acquisition occurred as of January 1, 2009.

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3. BUSINESS ACQUISITIONS - continued

	Years ended December 31,	
	2009	2010
	\$	\$
	(Unaudited)	(Unaudited)
Pro forma revenue	365,990,923	690,988,454
Pro forma income (loss)	(1,577,665)	55,402,319
Pro forma income (loss) per share:		
Basic	(0.01)	0.23
Diluted	(0.01)	0.21

4. INVENTORIES

Inventories consist of the following:

	At December 31,	
	2010	2011
	\$	\$
Raw materials	23,836,616	11,022,409
Work-in-process	10,020,361	4,438,970
Finished goods	38,477,990	28,516,038
Inventories	<u>72,334,967</u>	<u>43,977,417</u>

As of December 31, 2010 and 2011 inventories were written down by \$2,539,538 and \$7,765,270, to reflect the lower of cost or market adjustments.

5. PROPERTY , PLANT AND EQUIPMENT , NET

Property, plant and equipment, net consist of the following:

	At December 31,	
	2010	2011
	\$	\$
Buildings	13,114,990	23,904,165
Plant and machinery	109,859,842	127,386,626
Furniture, fixtures and equipment	7,567,318	9,931,517
Motor vehicles	1,046,898	1,268,321
	<u>131,589,048</u>	<u>162,490,629</u>
Less: Accumulated depreciation	(36,325,568)	(52,848,331)
	<u>95,263,480</u>	<u>109,642,298</u>
Construction in process	16,365,460	54,893,175
Property, plant and equipment, net	<u>111,628,940</u>	<u>164,535,473</u>

Depreciation expense was \$9,984,187, \$12,068,824 and \$17,513,454 for the years ended December 31, 2009, 2010 and 2011, respectively.

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6. PREPAID LAND USE RIGHTS, NET

	At December 31,	
	2010	2011
	\$	\$
Prepaid land use rights, cost	11,642,644	24,261,289
Less: Accumulated amortization	(600,837)	(901,373)
Prepaid land use rights, net	<u>11,041,807</u>	<u>23,359,916</u>

In 2011, the Group prepaid \$12.6 million for a land use right in Yangzhou, Jiangsu Province, for its planned future expansion of its solar cell manufacturing capacity.

Amortization expense was \$149,525, \$169,248 and \$300,536 for the year ended December 31, 2009, 2010 and 2011.

In 2012, 2013, 2014, 2015 and 2016, the Group will record annual amortization expense of approximately \$630,894.

7. INTANGIBLE ASSETS, NET

	At December 31,	
	2010	2011
	\$	\$
Customer relationships	8,073,439	8,073,439
Order backlog	44,852	44,852
Others	<u>4,485</u>	<u>4,485</u>
	8,122,776	8,122,776
Less: Accumulated amortization	<u>(497,105)</u>	<u>(3,283,830)</u>
Total	<u>7,625,671</u>	<u>4,838,946</u>

Intangible assets were acquired in 2010 through the business acquisition (see Note 3), and amortization expense was \$497,105 and \$2,786,725 for the year ended December, 2010 and 2011, respectively. The amortization expense will be \$2,639,967 and \$2,198,979 in 2012 and 2013, respectively.

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**8. BANK BORROWINGS**

	At December 31,	
	2010	2011
	\$	\$
Short-term bank borrowings	139,529,915	286,887,593
Current portion of long-term borrowings	-	35,328,572
Long-term bank borrowings	30,199,160	125,438,845
Total	<u>169,729,075</u>	<u>447,655,010</u>

The Group's short-term bank borrowings have annual average interest rates of 5.33% and 6.65% in year 2010 and 2011, respectively. These loans represent borrowings of the Group from various financial institutions. Each of these borrowings has a term of one year, and expires at various times throughout the year.

The Group's long-term bank borrowings have annual average interest rates of 3.51% and 5.55% in year 2010 and 2011, respectively. These loans represent borrowings of the Group from the Import and Export Bank of China and China development bank, with a term of two to six years, which would expire between 2013 and 2017.

The short-term bank borrowings were guaranteed by:

	At December 31,	
	2010	2011
	\$	\$
CEEG, Jiangsu CEEG Electrical Equipment Manufacturing Co., Ltd. and Group chairman Mr. Tingxiu Lu	128.4 million	76.7 million
Bank of Nanjing and China Electric Equipment Group Co., Ltd.	-	31.7 million
China Electric Equipment Group Co., Ltd and Jiangsu Xinde Asset Management Co., Ltd.	-	20.6 million
Jiangsu Xinde Asset Management Co., Ltd.	-	9.3 million
Land use right and machinery's mortgage	-	3.6 million
Fixed deposit pledge	-	11.1 million
Total	<u>128.4 million</u>	<u>153.0 million</u>

The Group's long-term bank borrowings were guaranteed by:

	At December 31,	
	2010	2011
	\$	\$
Jiangsu CEEG Electrical Equipment Manufacturing Co., Ltd. and Group chairman Mr. Tingxiu Lu	30.2 million	-
Bank of Nanjing and China Electric Equipment Group Co., Ltd.	-	39.7 million
Land use right and machinery's mortgage	-	46.2 million
Construction in progress's mortgage	-	9.5 million
Total	<u>30.2 million</u>	<u>95.4 million</u>

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**8. BANK BORROWINGS - continued**

The Group has short term credit facility of \$827.3 million from various banks to facilitate its purchase of raw materials, of which \$311.7 million were withdrawn with \$515.6 million available to use as of December 31, 2011. The bank facility has no restrictions as to the use of such facility and contains no financial covenants. Those short-term credit facilities are renewable annually upon mutual agreement between the parties.

The Group has a six-year credit facility of \$60.9 million from China Development Bank to facilitate its new 200MW cell production lines, of which \$49.8 million were withdrawn with \$11.1 million available to use as of December 31, 2011.

**9. DERIVATIVES FINANCIAL INSTRUMENTS**

As of December 31, 2009, the derivative liability related to a long-term supply contract for silicon was extinguished due to the termination of such supply contract on September 9, 2009 and resulted in a gain of \$7.6 million for the year ended December 31, 2009, which has been recorded as "Change in fair value of derivatives" in the consolidated statements of operations. The fair value measurement of embedded derivative for long-term purchase contract was classified as level 3 measurement as its valuation involved significant inputs that were not observable in the market.

The Group recorded a loss of \$0.4 million, a gain of \$2.9 million and a loss of \$5.2 million relating to foreign exchange forward contracts that did not qualify for hedge accounting for the years ended December 31, 2009, 2010 and 2011, respectively. As of December 31, 2009, 2010 and 2011, the Group had outstanding foreign exchange forward contracts with notional amount of \$8.6 million, \$15.2 million and \$2.6 million, respectively, with estimated fair value of \$0.3 million, \$0.4 million and \$0.2 million, respectively. These forward contracts are recorded in prepaid expense and other current assets on the consolidated balance sheet and the gain (loss) is recorded in changes in fair value of derivatives on the consolidated statements of operations.

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10. FAIR VALUE MEASUREMENT

*Recurring change in fair value*

As of December 31, 2010 and 2011, information about inputs into the fair value measurements of the Group's assets and liabilities that are measured at fair value on a recurring basis in periods subsequent to their initial recognition is as follows:

Fair Value Measurements at December 31, 2010				
	Total	(Level 1)	(Level 2)	(Level 3)
<b>Assets:</b>				
Foreign exchange forward contract	\$ 427,740		\$ 427,740	
Fair Value Measurements at December 31, 2011				
	Total	(Level 1)	(Level 2)	(Level 3)
<b>Assets:</b>				
Foreign exchange forward contract	\$ 249,139		\$ 249,139	

*Non-recurring change in fair value*

As of December 31, 2011, the Group fully impaired the goodwill balance of \$14.8 million based on the annual impairment test result. The Group had no other assets or liabilities remeasured at fair value on a non-recurring basis during the current year.

*Valuation techniques and classification*

The following is a description of the fair value techniques used for instruments measured at fair value as well as the general classification of such instruments pursuant to the valuation hierarchy described above.

Foreign exchange forward contract: Quoted prices in active markets for identical assets are not available. The term of the forward contracts held by the Group is less than one year. Main inputs for these short-term forward contracts include foreign exchange rates, which are observable and can be obtained from third party professional pricing sources. These fair value measurements are classified as level 2.

The fair value measurement for goodwill is classified as Level 3 measurement. Determining the appropriate fair value model and calculating the fair value of these instruments requires the input of significant estimates and assumptions, some of which are unobservable. The estimates and assumptions include business assumptions, terminal value and discount rate etc.

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**10. FAIR VALUE MEASUREMENT - continued**

As of December 31, 2011, the carrying amounts of accounts receivable, advances to suppliers, accounts payable, notes payable, advance from customers, amount due from (to) related parties and short-term borrowings approximated their fair values due to their short-term nature.

The carrying amount of the Group's outstanding convertible notes was US\$44 million and US\$27.5 million in 2010 and 2011, and the estimated fair value of this debt was US\$18.5 million and US\$3.0 million as of December 31, 2010 and 2011, respectively, which was estimated using market quotes.

The fair value estimates presented above are based on pertinent information available to management as of December 31, 2010 and 2011, respectively. Although management is not aware of any factors that would significantly affect these fair value estimates, such amounts have not been comprehensively revalued for purposes of these financial statements since those dates, and current estimates of fair value may differ significantly from the amounts presented.

**11. CONVERTIBLE SENIOR NOTES**

On July 1, 2008, the Company issued US\$54.5 million aggregate principal amount (includes USD 4.5 million from exercise of over-allotment option in full) of Convertible Senior Notes ("Convertible Notes" or "Notes") due June 15, 2013, with an interest rate of 4.75% per annum, payable in arrears semi-annually on June 15 and December 15, beginning December 15, 2008.

*Conversion*

Each \$1,000 principal amount of the Notes will initially be convertible into 27.10 American Depositary Shares, or ADSs (each ADS representing 18 ordinary shares), par value \$.0001 per share at a conversion price of \$36.9, subject to adjustment. The Notes are convertible into a number of ADSs equal to the conversion rate, at any time prior to the close of business on the third business day immediately preceding the maturity date. Securities may be converted only in denominations of USD 1,000 principal amount and integral multiples thereof.

If Notes are converted in connection with a fundamental change, then the conversion rate of the Notes being converted shall be increased by an additional number of ADSs. The conversion rate, including any additional ADSs added to the conversion rate in connection with a fundamental change, will not exceed 32.52 ADSs (equal to a conversion price of USD30.75 per ADS). Such maximum conversion rate will be appropriately adjusted for anti-dilution conversion rate adjustments.

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11. CONVERTIBLE SENIOR NOTES - continued

*Redemption*

In the event of a fundamental change, holders have the option to require the Company to repurchase the entire principal amount of these Notes, or the portion thereof (which is \$1,000 or an integral multiple thereof), at the fundamental change Repurchase Price, together with accrued interest to, but excluding the repurchase date.

In the Event of Default, the Trustee by notice to the Company or the Holders of at least 25% in principal amount of the Notes then outstanding by notice to the Company and the Trustee, may declare the Notes to be due and payable. Upon such declaration, the principal of, and accrued and unpaid interest (including any additional amounts) on all Notes shall be due and payable immediately.

Issuance costs for the Convertible Notes amounted to \$4.3 million, and are being amortized through interest expense over the beneficiary period from July 2008 to June 2013, using the effective interest rate method. These capitalized costs are reported as deferred assets in Convertible bond issuance cost, and \$1.0 million and \$0.7 million and \$1.1 million was amortized for the year ended December 31, 2009 and 2010 and 2011, respectively.

*Share Lending Agreement*

Concurrent with this offering, 1,477,000 ADSs were borrowed by an affiliate of the initial purchaser of the notes pursuant to an ADS lending agreement, and offered in a transaction registered under the Securities Act. This is designed to facilitate short sales and/or privately negotiated derivative transactions by which investors may elect to hedge their investments in the Convertible Notes.

The purpose of the arrangement, entered into with a third-party financial institution, was to provide potential investors with a means by which they could hedge their long-term exposure to the Group's equity underlying the conversion option. The Group has not received any significant cash from this arrangement, with the exception of cash collateral received from the counterparty which is included in the "restricted cash-collateral account" balance on our consolidated balance sheet.

The Loaned Shares must be returned to the Group by the earliest of (a) the maturity date of the Notes, June 15, 2013, (b) upon the Group's election to terminate the Share Lending Agreement at any time after the later of (i) the date on which the entire principal amount of the Notes ceases to be outstanding, and (ii) the date on which the entire principal amount of any additional convertible securities that the Group has in writing consented to permit the ADS Borrower to hedge under the Share Lending Agreement ceases to be outstanding, in each case, whether as a result of conversion, redemption, repurchase, cancellation or otherwise; and (c) the termination of the Share Lending Agreement. The Group is not required to make any payment to the underwriter of the Notes ("Underwriter") or the ultimate holder of the Notes ("the ADS Borrower") upon the return of the Loaned Shares.



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11. CONVERTIBLE SENIOR NOTES - continued

The Underwriter has agreed to post collateral in cash, having a market value equal to at least 100% of the market value of the Loaned Shares during the term of the Share Lending Agreement. Otherwise, the Group can demand that the Underwriter transfer to the collateral agent, a deposit equal to 100% of the market value of the Loaned Shares to the Collateral Account, no later than the second following business day. The collateral agent will promptly give the Group a statement setting forth the Market Value of all Collateral upon the Group's reasonable request and the Group has the right to audit the Market Value of all Collateral.

The collateral agent is required to deliver to the Group any interest, distributions or dividends on the date of such interest, distribution or dividends are received. The Underwriter has agreed not to vote the Loaned Shares to the extent it is the shareholder of record. An ADS Borrower has the ability to vote without restriction.

A nominal lending fee of US\$0.0018 per ADS was received from the ADS borrower for the use of the borrowed ADSs. The ADS Borrower will be required to return the borrowed ADSs pursuant to the ADS lending agreement by the scheduled maturity date of the notes in June 2013. The loaned ADS were accounted for as being reflected at their par value in the common stock line item of the Group's balance sheet, with an offsetting reduction of additional paid in capital.

The Group used the proceeds from the issuance of the Convertible Notes for expansion of production capacity, for enhancement of research and development, and for general corporate purposes.

The Group has accounted for the Share Lending Agreement as the issuance of a written call option to the ADS Borrower for the fair value of the associated ADSs. The Group has recorded the call option at fair value, given the Group has no economic benefit associated with the issuance of the call option. The fair value of the call option upon issuance and subsequently is immaterial.

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**11. CONVERTIBLE SENIOR NOTES - continued**

Although legally issued, the Group has not considered the Loaned Shares issued for accounting purposes. As a result, any cash collateral, to the extent posted by the ADS Borrower, is not considered attributable to the issuance of shares. To the extent cash collateral is posted, the Group recorded the cash as an asset on its balance sheet with an offsetting liability recorded to reflect the collateral receipt as the proceeds of a borrowing. The cash collateral posted as of December 31, 2010 and 2011 is \$18.5 million and \$1.7 million which is recorded as a long-term asset under restricted cash collateral account with an offsetting long term liability recorded in collateral accounts payable as of December 31, 2010 and 2011.

As of December, 31, 2011, the fair value of outstanding loaned shares was \$1.7 million. As the loaned shares are not considered issued for accounting purposes, they were excluded from the number of outstanding ordinary shares used in calculating earnings (loss) per share.

The total issuance costs associated with the share-lending arrangement was \$1.9 million with the unamortized balance of \$0.3 million as of December 31, 2011. The amortization of the issuance costs was \$0.4 million, \$0.3 million and \$0.5 million for the years ended December 31, 2009, 2010 and 2011, respectively.

In 2009 and 2011, the Group conducted open market repurchases of its Convertible Notes, and repurchased \$4.0 million and \$16.5million aggregate principal amount of the Convertible Notes for a total cash consideration of \$1.8 million and \$9.1 million, respectively. As a result, the Group realized a net gain of \$2.2 million and \$7.4 million and recorded as other income in 2009 and 2011, respectively..

**12. MAINLAND CHINA CONTRIBUTION PLAN**

Full time employees of the Group in the PRC participate in a government-mandated multiemployer defined contribution plan pursuant to which certain pension benefits, medical care, unemployment insurance, employee housing fund and other welfare benefits are provided to employees. PRC labor regulations require the Group to accrue for these benefits based on certain percentages of the employees' salaries. The total contribution for such employee benefits was \$2.5 million, \$3.7 million and \$6.1 million for the years ended December 31, 2009, 2010 and 2011, respectively.

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**13. PROFIT APPROPRIATION**

Pursuant to laws applicable to entities incorporated in the PRC, PRC subsidiaries such as Sunergy Nanjing, Sunergy Shanghai, SST and NRE, are prohibited from distributing their statutory capital and must make appropriations from PRC GAAP after-tax profit to other non-distributable reserve funds. These reserve funds include one or more of the following: (i) a general reserve, (ii) an enterprise expansion fund and (iii) a staff bonus and welfare fund. Subject to certain cumulative limits, the general reserve fund requires annual appropriation of 10% of after tax profit (as determined under accounting principles generally accepted in the PRC at each year-end); the appropriation to the other fund are at PRC subsidiaries' discretion. These reserve funds can only be used for specific purposes of enterprise expansion and staff bonus and welfare and are not distributable as cash dividends, loans or advances to the Company. Due to a net loss in 2009 and 2011, PRC subsidiaries made no appropriation to other non-distributable reserve funds.

As a result of these PRC laws and regulations, PRC subsidiaries are restricted in its ability to transfer \$165.1 million of their net assets to the Company in the form of dividends, loans or advances as of December 31, 2011.

**14. OTHER (EXPENSE) INCOME, NET**

	Years ended December 31,		
	2009	2010	2011
	\$	\$	\$
Foreign currency exchange loss, net	(517,321)	(5,052,285)	(10,649,047)
Convertible bond repurchase gain	2,155,000	-	7,440,000
Government grants	25,613	153,871	565,076
Others	437,299	1,211,926	744,162
	<u>2,100,591</u>	<u>(3,686,488)</u>	<u>(1,899,809)</u>

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15. INCOME TAXES

*Cayman Islands*

China Sunergy Cayman is not subject to tax on income or capital gain according to the current laws of the Cayman Islands.

*British Virgin Islands*

China Sunergy BVI is not subject to tax on income or capital gain according to the current laws of the British Virgin Islands.

*Hong Kong*

Sunergy Hong Kong is subject to Hong Kong profit tax at a rate of 16.5% in 2009, 2010 and 2011. No Hong Kong profit tax has been provided as Sunergy Hong Kong has no assessable profit that was earned in or derived from Hong Kong in periods presented.

China Sunergy Trading (Hong Kong) Co., Limited was incorporated in May 2011 and is subject to Hong Kong profit tax at a rate of 16.5% in 2011.

*PRC*

Under the Law of the People's Republic of China on Enterprise Income Tax ("New EIT Law"), which was effective from January 1, 2008, both domestically-owned enterprises and foreign-invested enterprises are subject to a uniform tax rate of 25%.

Sunergy Nanjing, as a recognized High and New Technology Enterprise ("HNTE"), is entitled to a two-year exemption and three-year 50% reduction in EIT starting from 2006. Sunergy Nanjing renewed its certificate of HNTE in 2011, with a valid period from 2011 to 2013, and thus a 15% preferential tax rate is applied during the corresponding periods.

Sunergy Shanghai was established in November 2007 and its applicable EIT rate is 25%. Sunergy Shanghai did not have substantive operations and had incurred minimal non-operating related losses.

SST was acquired in November 2010, which obtained the certificate of HNTE in 2009, with a valid period from 2009 to 2011, and thus is eligible for a 15% preferential tax rate during the periods above.

NRE was acquired in November 2010 and its applicable EIT rate is 25%.

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15. INCOME TAXES - continued

The Group has no uncertain tax positions as of December 31, 2010 and 2011 or unrecognized tax benefits which would favorably affect the effective income tax rate. The Group does not anticipate any significant increases or decreases to its liabilities for unrecognized tax benefits within the next 12 months.

According to the PRC Tax Administration and Collection Law, the statute of limitations is three years if the underpayment of income taxes is due to computational errors made by the taxpayer. The statute of limitations will be extended to five years under special circumstances, which are not clearly defined, but an underpayment of income tax liability exceeding RMB100,000 is specifically listed as a special circumstance. In the case of a transfer pricing related adjustment, the statute of limitations is ten years.

The PRC is the primary tax jurisdiction in which the Company operates. As of December 31, 2011, the Company's PRC subsidiaries remain subject to tax examination by the PRC tax authorities for the tax years 2009 through 2011 on non-transfer pricing matters, and the tax years 2004 to 2011 on transfer pricing matters. There is no statute of limitations in the case of tax evasion.

The statute of limitations in Hong Kong is 6 years.

The provision for income taxes by tax jurisdictions for the years ended December 31, 2009, 2010 and 2011 is as follows:

	Years ended December 31,		
	2009	2010	2011
	\$	\$	\$
Income (loss) from operations before income tax:			
PRC	(7,357,891)	61,183,507	(111,763,011)
Other jurisdictions	(3,814,165)	(3,882,090)	3,698,354
Total income (loss) before income tax	(11,172,056)	57,301,417	(108,064,657)
Current income tax expense:			
PRC	-	(6,367,680)	(822,238)
Other jurisdictions	-	-	(2,866,755)
	-	(6,367,680)	(3,688,993)
Deferred income tax credit			
PRC	902,709	800,518	17,460,955
Other jurisdictions	-	-	-
	902,709	800,518	17,460,955
Total income tax credit (expense)	902,709	(5,567,162)	13,771,962

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15. INCOME TAXES - continued

A reconciliation between the effective income tax rate and the PRC statutory income tax rate is as follows:

	Years ended December 31,		
	2009	2010	2011
PRC statutory enterprise income tax rate	25.0%	25.0%	25.0%
Different tax rates in other jurisdictions	(6.2)%	3.9%	1.2%
Other non-deductible expense for tax purposes	(0.9)%	0.2%	(0.1)%
Effect of tax holiday	(8.1)%	(14.2)%	(4.9)%
Effect of future tax rate change	(0.5)%	(5.1)%	(1.6)%
50% additional deduction of R&D expense	1.6%	(0.2)%	0.8%
Change in valuation allowance	(2.5)%	(0.3)%	(3.4)%
Others	-	0.4%	(0.9)%
	<u>8.4%</u>	<u>9.7%</u>	<u>16.1%</u>
Gross tax exemption	\$ 870,675	\$ 8,154,413	\$ 5,255,781
Tax holiday per share-basic	\$ 0.00	\$ 0.03	\$ 0.02
Tax holiday per share-diluted	\$ 0.00	\$ 0.03	\$ 0.02

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15. INCOME TAXES - continued

The principal components of the deferred tax assets are as follows:

	At December 31,	
	2010	2011
	\$	\$
<b>Deferred tax assets:</b>		
Depreciation of property, plant and equipment	915,440	824,738
Warranty costs	2,157,651	3,564,779
Inventory write-down	627,580	1,449,722
Allowance for doubtful account	2,419,259	4,726,729
Tax losses carried forward	516,368	17,277,185
Fixed assets impairment	206,263	113,017
Others	732,922	268,087
Gross total deferred tax assets	7,575,483	28,224,257
Valuation allowances	(516,368)	(4,209,947)
Net deferred tax assets	7,059,115	24,014,310
<b>Analysis as:</b>		
Current	3,940,863	6,416,008
Non-current	3,118,252	17,598,302
Total deferred tax assets	7,059,115	24,014,310
	At December 31,	
	2010	2011
	\$	\$
<b>Deferred tax liabilities:</b>		
Derivative assets	(64,530)	(62,285)
Intangible assets	(2,273,023)	(1,769,508)
Total deferred tax liabilities	(2,337,553)	(1,831,793)
<b>Analysis as:</b>		
Current	(654,026)	(786,358)
Non-current	(1,683,527)	(1,045,435)
Total deferred tax liabilities	(2,337,553)	(1,831,793)

The tax losses carry forwards arising from year 2011 of the Group are approximately \$76.4 million, mainly for SST, NRE, Sunergy Nanjing and will expire in 2016.

The Group considers positive and negative evidence to determine whether some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible for tax purposes.

Based upon the projections for future taxable income over the periods in which the deferred tax assets are realizable, the Group believes it is more-likely-than-not that Sunergy Nanjing and SST will realize the benefits of those deductible differences, and as such, no valuation allowances as of December 31, 2011 have been provided. The amount of the deferred tax assets considered to be realizable, however, could be reduced in the near term if estimates of future taxable income during the tax loss carry forward periods are reduced.

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15. INCOME TAXES - continued

Based on the current profit, projected future profitability, and other available evidence, the Group believes it is more-likely-than-not that NRE, Sunergy Hong Kong and Sunergy Shanghai will not realize the deferred tax assets resulted from the tax loss carried forward in the future periods. Thus, appropriately \$3.5 million valuation allowance was provided for NRE and a full valuation allowances are provided for the deferred tax assets of Sunergy Hong Kong and Sunergy Shanghai.

In accordance with the New EIT Law, dividends, which arise from profits of foreign invested enterprises (“FIEs”) earned after January 1, 2008, are subject to a 10% withholding income tax. Under applicable accounting principles, a deferred tax liability should be recorded for taxable temporary differences attributable to the excess of financial reporting basis over tax basis in a domestic subsidiary. However, recognition is not required in situations where the tax law provides a means by which the reported amount of that investment can be recovered tax-free and the enterprise expects that it will ultimately use that means. The Group plans to indefinitely reinvest the undistributed earnings of the Company's PRC subsidiaries. As of December 31, 2011, the Company's PRC subsidiaries have an accumulated deficit of \$76.4 million. Upon distribution of any future earnings in the form of dividends or otherwise, the Company would be subject to the then applicable PRC tax laws and regulations.

16. SHARE-BASED COMPENSATION

Prior to January 1<sup>st</sup>, 2008, pursuant to the company's Share Incentive Plan which allows the Company to offer share incentive awards to employees, officers, directors, individual consultants or advisors who rendered services to the Group, 2,500,000 options were authorized and 2,050,900 options were granted, which generally vest over four years and have a 10-year contract term.

On January 10, 2008, under the Share Incentive Plan, the Company further granted options to purchase 716,226 ordinary shares to certain employees at an exercise price of US\$1.283 per share.

On February 5, 2008, the shareholders granted approval for its Second Share Incentive Plan (the “Second Plan”). The Second Plan is open to members of the China Sunergy Board, as well as employees and consultants as determined by the Compensation Committee of the Board. The maximum number of shares that may be issued pursuant to the Second Plan is 4,190,748. The Company granted 2,397,301 and 1,078,785 restricted common shares to its then CEO and CFO on the same day, which vest one third annually over the following three years.

On January 9, 2009, the Group granted options to purchase 260,002 and 80,640 ordinary shares to certain employees at an exercise price of US\$1.283 and US\$0.7 per share, respectively. The options expire ten years from the date of grant, with one-fourth of the options vesting on each of the following four grant date anniversaries. At the same date, the Group also granted options to purchase 100,002 ordinary shares to a consultant at an exercise price of US\$0.7 per share. The shares subject to the option was vested on the December 31, 2009 and is exercisable within 5 years from the date the option is vested.

In 2010 and 2011, the Group did not grant any additional options to employees.



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16. SHARE-BASED COMPENSATION - continued

The Group recorded \$1,327,033, \$543,510 and (\$108,222) as compensation expense (reversal) for the years ended December 31, 2009, 2010 and 2011, respectively.

The Group records share-based compensation based on the grant date fair value of the option. The weighted average grant-date fair value of options granted during year 2008 and 2009 was \$1.20 and \$0.22 per share, respectively, computed using the binomial option-pricing formula that uses the assumptions noted below. Expected volatilities are based on the average volatility of comparable companies with the time period commensurate with the expected time period. The Group uses historical data to estimate option exercise and employee termination within the pricing formula. The contractual life of the option is 6 to 10 years. The risk-free rate for periods within the contractual life of the option is based on the yield of US Treasury Bond.

	2009
Average risk-free rate of return	1.51% ~ 2.40%
Contractual life of the option	6 ~ 10 years
Volatility rate	84%
Dividend yield	0%

A summary of the option activities is follows:

	Number of Options	Weighted average exercise price	Weighted average remaining contract term	Aggregate intrinsic value
Outstanding at January 1, 2011	965,214	\$ 1.223		
Forfeited	(288,470)	\$ 1.283		
Outstanding at December 31, 2011	676,744	\$ 1.197	5.84	\$ -
Options vested or expected to vest at December 31, 2011	575,513	\$ 1.182	5.68	\$ -
Options exercisable at December 31, 2011	568,709	\$ 1.180	5.67	\$ -

As of December 31, 2011, the unrecognized compensation expense related to unvested share-based compensation was immaterial.

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17. RELATED PARTY TRANSACTIONS AND BALANCES

*Related party balances*

Amounts due from related parties:

	Years ended December 31,	
	2010	2011
	\$	\$
Trade related balances	42,577,666	29,640,303
Non-trade related balance	-	615,717
Amounts due from related parties	<u>42,577,666</u>	<u>30,256,020</u>

Trade related balances pertain to receivables and prepayments in respect of sales and inventory acquisition or land use right purchases from related parties with common ultimate investors. Details with such parties are as follows:

Name of related party	At December 31,	
	2010	2011
	\$	\$
CEEG (Nanjing) Semiconductor Co., Ltd.	3,359,847	23,824,464
CEEG (Nanjing) Special Transformer Co., Ltd.	5,230,447	5,815,839
China Electric Equipment Group Co., Ltd.	326	-
CEEG Nanjing International Trade Co., Ltd.	29,178,994	-
CEEG (Nanjing) Solar Research Institute	4,808,052	-
	<u>42,577,666</u>	<u>29,640,303</u>

In 2011, the non-trade related balance of \$615,717 pertains to the electric charge that the Group paid on behalf of CEEG (Nanjing) Semiconductor Co., Ltd and welfare charge that the Group paid on behalf of China Electric Equipment Group (Hong Kong) Co., Limited.

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17. RELATED PARTY TRANSACTIONS AND BALANCES - continued

Amounts due to related parties:

	At December 31,	
	2010	2011
	\$	\$
Trade-related balance	1,365,206	56,970,793
Non-trade related balance	1,097,748	638,728
Amounts due to related parties	<u>2,462,954</u>	<u>57,609,521</u>

Trade related balances pertain to payables and pre-collected amounts in respect of rental, inventory purchases and sales to/from related parties with common ultimate investors. Details of trade related balances with such parties are as follows:

Name of related party	At December 31,	
	2010	2011
	\$	\$
CEEG (Nanjing) Special Transformer Co., Ltd.	36,239	234,770
China Electric Equipment Group Co., Ltd.	182,644	109,699
China Electric Equipment Group (Hong Kong) Co., Limited	19,167	5,619
Jiangxi Jingde Semiconductor New Material Co., Ltd.	168,518	-
Eco Energy S.r.l.	894,813	902,482
CEEG (Jiangsu) Limited	55,180	1,859
CEEG (Jiangsu) Insulative New Material Co.,Ltd.	8,645	11,640
CEEG (Nanjing) Semiconductor Co., Ltd.	-	55,704,724
	<u>1,365,206</u>	<u>56,970,793</u>

CEEG (Nanjing) Semiconductor Co., Ltd. ("CEEG Semi") is a processor of ingot and wafers, with capacity of 20 MW per year. The Company purchased wafers from CEEG Semi beginning in 2009 and had an average monthly purchase quantity of 3 million pcs in 2011, which results the payable balance of \$55.7 million as of December 31, 2011.

In 2010, the non-trade related balance pertains to the electric charge that China Electric Equipment Group Co., Ltd paid on behalf of the Group. In 2011, the non-trade related balance pertains to a payment that was collected on behalf of CEEG Nanjing International Trade Co., Ltd. from a third party.

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17. RELATED PARTY TRANSACTIONS AND BALANCES - continued

***Related party transactions***

Other than as disclosed in Note 8, details of related party transactions are as follow:

S ales to related parties with common ultimate investors:

Name of related party	Years ended December 31,		
	2009	2010	2011
	\$	\$	\$
CEEG Nanjing International Trade Co., Ltd.	-	15,234,153	4,682
*SST	54,921,565	121,455,630	-
CEEG (Nanjing) Solar Research Institute	688,835	6,564,291	10,113,561
*NRE	26,691,008	119,811,919	-
CEEG (Nanjing) Semiconductor Co., Ltd.	42,283	3,196,049	15,609
China Electric Equipment Group (Hong Kong) Co., Limited	1,417	-	36,250
	<u>82,345,108</u>	<u>266,262,042</u>	<u>10,170,102</u>

P urchase of raw materials from related parties with common ultimate investors are as follows:

Name of related party	Years ended December 31,		
	2009	2010	2011
	\$	\$	\$
CEEG (Nanjing) Solar Research Institute	475	1,218,487	-
*SST	4,193,444	8,332,132	-
CEEG (Nanjing) Semiconductor Co., Ltd.	6,529,087	42,376,869	73,351,421
China Electric Equipment Group (Hong Kong) Co., Limited	319,271	-	-
*NRE	227,919	625,604	-
Jiangxi Jingde Semiconductor New Material Co., Ltd.	2,169,476	10,724,422	-
CEEG(Jiangsu) Insulative New Material Co.,Ltd.	-	-	21,670
	<u>13,439,672</u>	<u>63,277,514</u>	<u>73,373,091</u>

\* Prior to the acquisitions

In December 2010, NRE prepaid \$5.6 million to CEEG (Nanjing) Special Transformer Manufacturing Co., Ltd. for purchase the right to use a parcel of land of approximately 77,565.4 square meters in Nanjing.

In February 2011, Sunergy Nanjing purchased equipment and technology services from CEEG (Nanjing) Solar Research Institute in the amount of approximately \$0.8 million in connection with the building integrated photovoltaic system to be installed in the Group's Nanjing facilities.

In March 2011, NRE purchased manufacturing site and ancillary premises of approximately 25,000 square meters from CEEG (Nanjing) Special Transformer Co., Ltd in the amount of approximately \$8.0 million.

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18. COMMITMENTS AND CONTINGENCIES

a) Operating lease commitments

The Group has operating lease agreements principally for staff quarters and for warehouse premises in the PRC. Such leases have remaining terms generally within 48 months, and are renewable upon negotiation. Rental expense was \$302,253, \$820,175 and \$2,086,451 for the years ended December 31, 2009, 2010 and 2011, respectively.

Future minimum lease payments under non-cancelable operating lease agreements at December 31, 2011 were as follows:

Twelve-month period ending December 31,

2012	\$	1,050,281
2013	\$	661,973
2014	\$	402,488
2015	\$	28,567
2016	\$	28,567
Over 5 years	\$	116,650
	<u>\$</u>	<u>2,288,526</u>

b) Purchase commitments

	At December 31,		
	2009	2010	2011
	\$	\$	\$
Commitments to purchase property, plant and equipment (1)	2,742,662	7,018,226	51,095,125
Commitments to purchase silicon raw materials (2)	-	6,070,617	1,314,053,548
	<u>2,742,662</u>	<u>13,088,843</u>	<u>1,365,148,673</u>

(1) Future payment required for purchase of property, plant and equipment are as follows:

Twelve-month period ending December 31,

2012	\$	44,848,625
2013	\$	5,727,950
2014	\$	518,550
Total	<u>\$</u>	<u>51,095,125</u>

(2) As of December 31, 2011, the Group had entered into certain long-term silicon procurement contracts, under which the Group agreed to purchase silicon wafers in an aggregate quantity of approximately 1,147 million pieces over the next five years at the price determined monthly.

Based on the prevailing market price as of December 31, 2011, future payments required under these long-term supply agreements are as follows:

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18. COMMITMENTS AND CONTINGENCIES – CONTINUED

Twelve-month period ending December 31,		
2012	\$	204,218,444
2013	\$	246,593,344
2014	\$	287,133,584
2015	\$	288,054,088
2016	\$	288,054,088
Total	\$	<u>1,314,053,548</u>

c) Contingencies

Dispute with Solarmax

On December 12, 2011, SolarMax Technology, Inc., or SolarMax, a corporation incorporated in California, U.S.A., filed a complaint in the Superior Court of the State of California County of Los Angeles against the Group. The complaint alleged a breach of contract and intentional misrepresentation in connection with solar modules purchased by SolarMax from the Group and sought compensatory and actual damages in excess of \$20 million, punitive damages and attorneys' fees and costs. China Sunergy (US) Clean Tech Inc. was served with a summons and complaint in January 2012. In February 2012, the Group filed a motion to compel arbitration through the China International Economic and Trade Arbitration Commission as required by the contract terms. On March 28, 2012, the parties entered into an agreement whereby plaintiff would voluntarily dismiss the complaint without prejudice in exchange for a mutual waiver of attorney fees and costs. On April 4, 2012 the request for dismissal was entered and the case has now been dismissed.

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19. SEGMENT INFORMATION

The Group's chief operating decision maker has been identified as the Chief Executive Officer, who reviews consolidated results when making decisions about allocating resources and assessing performance of the Group. Based on this assessment, the Group has determined that it operates in a single business segment that includes the design, development, and manufacture of solar cells and modules. The following table summarizes the Group's revenues generated from different geographic locations:

	Years ended December 31,		
	2009	2010	2011
	\$	\$	\$
Europe:			
- Germany	67,119,945	28,200,774	57,314,051
- Italy	7,557,142	63,466,986	170,680,970
- Spain	2,742,703	19,171,470	4,432,090
- Belgium	-	11,850,788	46,114,145
- France	-	8,745,007	58,439,157
- Czech Republic and Slovakia	-	3,837,593	28,259,894
- Others	1,782,935	12,488,306	42,375,518
Europe total	79,202,725	147,760,924	407,615,825
PRC	185,176,939	330,377,693	38,086,463
India	1,657,445	-	49,415,452
South Korea	408,947	8,208,136	7,234
Australia	11,947,449	7,925,457	32,599,218
America	2,568,090	6,532,809	3,991,732
Others	3,903,774	16,414,158	34,575,831
Total net revenues	<u>284,865,369</u>	<u>517,219,177</u>	<u>566,291,755</u>

Substantially all the identifiable assets of the Group are located in the PRC.

\* \* \* \* \*

**ADDITIONAL INFORMATION-FINANCIAL STATEMENTS SCHEDULE 1**

**CHINA SUNERGY CO., LTD.**

Financial information for parent company

**BALANCE SHEET**  
(In U.S. dollars, except for share data)

	December 31,	
	2010	2011
	\$	\$
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash	3,011,939	2,013,683
Restricted cash	11,250,000	-
Amount due from subsidiaries	95,636,800	96,937,218
Dividend receivable	15,827,573	-
Other receivables	308,378	107,620
<b>Total current assets</b>	<b>126,034,690</b>	<b>99,058,521</b>
Investments in subsidiaries	144,326,977	67,610,830
Restricted cash-collateral account	18,521,580	1,654,240
Convertible senior notes issuance cost	2,610,744	980,684
<b>Total assets</b>	<b>291,493,991</b>	<b>169,304,275</b>
<b>Liabilities and equity:</b>		
<b>Liabilities:</b>		
Other liabilities	2,163,592	1,063,621
<b>Total current liabilities</b>	<b>2,163,592</b>	<b>1,063,621</b>
Collateral account payable	18,521,580	1,654,240
Convertible senior notes payable	44,000,000	27,500,000
<b>Total liabilities</b>	<b>64,685,172</b>	<b>30,217,861</b>
<b>Equity:</b>		
Ordinary shares (par value \$0.0001; 463,247,600 shares authorized, 267,287,253 shares issued and outstanding as of December 31, 2010 and 2011)	26,729	26,729
Additional paid-in capital	185,475,047	185,366,825
Retained earnings (accumulated deficit)	13,286,290	(81,006,405)
Accumulated other comprehensive income	28,020,753	34,699,265
<b>Total equity</b>	<b>226,808,819</b>	<b>139,086,414</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>291,493,991</b>	<b>169,304,275</b>



**CHINA SUNERGY CO., LTD.**  
**STATEMENT OF OPERATIONS**  
(In U.S. dollars)

	Year ended December 31,		
	2009	2010	2011
	\$	\$	\$
General and administrative expenses	(3,808,452)	(1,773,573)	(706,531)
Total operating expenses	(3,808,452)	(1,773,573)	(706,531)
Loss from operations	(3,808,452)	(1,773,573)	(706,531)
Interest expense	(3,577,417)	(3,090,395)	(3,794,996)
Interest income	2,307,727	815,331	755,895
Equity in gains (losses) of subsidiaries	(7,529,646)	55,539,477	(99,222,232)
Other income, net	2,338,441	243,415	8,675,169
Net income (loss)	(10,269,347)	51,734,255	(94,292,695)
Net income (loss) attributable to Company ordinary shareholders	(10,269,347)	51,734,255	(94,292,695)

**CHINA SUNERGY CO., LTD.**  
**STATEMENT OF CASH FLOWS**  
(In U.S. dollars)

	Year ended December 31,		
	2009	2010	2011
	\$	\$	\$
<b>Operating activities:</b>			
Net income (loss) attributable to China Sunergy Co., Ltd.	(10,269,347)	51,734,255	(94,292,695)
Adjustments to reconcile net income (loss) to net cash used in operating activities:			
Equity in gains/losses of subsidiaries	7,529,646	(55,539,477)	99,222,232
Share-based compensation	1,327,033	543,510	(108,222)
Gain on repurchase of convertible senior notes	(2,155,000)	-	(7,440,000)
Amortization of convertible senior notes	1,393,248	1,000,395	1,630,060
Others	494,346	-	(223,637)
Changes in operating assets and liabilities:			
Other receivables	36,484	(186,318)	200,758
Other liabilities	(1,168,212)	(367,258)	(876,334)
Amounts due from subsidiaries	-	3,704,375	(1,300,418)
Net cash provided by (used in) operating activities	(2,811,802)	889,482	(3,188,256)
<b>Investing activity:</b>			
Amounts due from subsidiaries	(729,442)	-	-
Decrease in restricted cash	-	-	11,250,000
Net cash provided by (used in) investing activity	(729,442)	-	11,250,000
<b>Financing activities:</b>			
Amounts due to subsidiaries	253,263	-	-
Cancellation of restricted shares	(479)	-	-
Payment of convertible senior notes repurchase	(1,845,000)	-	(9,060,000)
Net cash used in financial activities	(1,592,216)	-	(9,060,000)
Net increase in cash and cash equivalents	(5,133,460)	889,482	(998,256)
Cash and cash equivalents at the beginning of the year	7,255,917	2,122,457	3,011,939
Cash and cash equivalents at the end of the year	2,122,457	3,011,939	2,013,683
<b>Supplemental disclosure of non-cash investing activities:</b>			
Restricted cash collateral received in connection with share-lending arrangement	2,968,770	(1,949,640)	(16,867,340)

## Notes to Schedule 1

1) Schedule I has been provided pursuant to the requirements of Rule 12-04(a) and 5-04(c) of Regulation S-X, which require condensed financial information as to the financial position, changes in financial position and results of operations of a parent company as of the same dates and for the same periods for which audited consolidated financial statements have been presented when the restricted net assets of consolidated subsidiaries exceed 25 percent of consolidated net assets as of the end of the most recently completed fiscal year.

2) The condensed financial information of China Sunergy Co., Ltd. has been prepared using the same accounting policies as set out in the accompanying consolidated financial statements except that the equity method has been used to account for investments in its subsidiaries.

\* \* \* \* \*

**Sales Contract**

Contract No.: NPM111009

Signature date: January 17, 2011

Buyer: China Sunergy (Nanjing) Co., Ltd.

Address: No. 123, Focheng West Road, Jiangning Economic and Technological Development Zone, Nanjing

Seller: Suzhou GCL Photovoltaic Technology Co., Ltd.

Address: No. 68, Kunlunshan Road, Hi-tech Zone, Suzhou

Whereas, the buyer decides to purchase a certain amount of solar-grade polycrystalline silicon wafers and mono-crystalline silicon wafers from the seller within the term stipulated in the contract, for the purpose of defining obligations of the buyer and the seller and assurance of the goal of contract, both parties hereby enter into the contract for mutual compliance upon friendly negotiation and mutual understanding of equality and mutual profit.

Non-competition article: the buyer undertakes that, within the valid period of original contract and supplemental agreement, total capacity (in megawatt) of buyer and its affiliated companies' silicon materials projects which have been invested for production or are currently in operation shall not exceed 500 MW, and total capacity (in megawatt) of buyer and its affiliated companies' silicon wafers projects which have been invested for production or are currently in operation shall not exceed 500 MW. Otherwise the seller shall be entitled to requiring the buyer to immediately stop such investment and construction of new silicon wafer projects. The buyer shall agree to stop silicon wafer projects which have not been put into operation. If the buyer does not stop such action, the seller shall be entitled to discontinuation of performance of this contract and stop its supply of goods to the buyer at discount price stipulated in the agreement.

The buyer promises that the quantity of its silicon wafers to be purchased from the seller shall be no less than [\*\*\*\*]\*% of its production capacity.

**1. Contract Basis and Price Negotiation Principle**

**Product Schedule and Payment Settlement**

**1.1 Annual Prices**

Both parties, upon negotiation, hereby agree on silicon wafer purchase from 2011 to 2016 as follows:

\* This portion of the Long Term Sales Contract between Sunergy Nanjing and Suzhou GCL Photovoltaic Technology Co., Ltd. has been omitted and filed separately with the Securities and Exchange Commission, pursuant to Rule 24b-2 under the Securities Exchange Act of 1934.

- a) Details of purchase quantity and price in 2011 are implemented with reference to Appendix Two: Form A-1:
- b) Supply Prices from 2012 to 2016 shall be determined by both parties through negotiation before December 10 of every supply year.

## 1.2 Price Negotiation

1.2.1 Purchase quantity and quality in 2011 shall be based on Appendix Two Form A-1 hereof. Without due reason stipulated by this contract, the price shall not be adjusted by either party. In case price adjustment for the reason stipulated by this contract, both parties may re-negotiate the supply prices;

### 1.2.2. Price adjustment within every supply year:

a) Prices of silicon wafers in 2011 hereunder shall be determined based on Appendix Two Form A-1 hereof. Without due reason stipulated by this contract, the seller must not increase the prices;

b) In the event of market slump, and if the monthly market price of silicon wafer decrease by more than 5% (based on the benchmark of Market Price) ( "Market Price" in this contract solely refers to the average price (in RMB, converted according to the foreign exchange rate on current day, plus domestic value added tax) of the price released in the first week and the price released in the final week on PV Insight website (www.pvinsights.com)), then both parties shall take the market change into consideration and make appropriate adjustment to the price of current month;

In the event that PV Insight website is closed or when the website cannot be normally browsed for other reasons, then both parties shall provide average purchase price and average sales price of each party's similar products respectively and take the lower price for performing the contract.

If the parties fail to reach an agreement on price, both parties shall determine the price according to basic purpose of the agreement on the principle of fairness and reasonability.

c) If market price of silicon price or its raw material "polycrystalline silicon material" increases, Party B shall be entitled to correspondingly adjust silicon wafer price of 20% supply quantity of the current month as stipulated by Appendixes A and B (the purchase price of the remaining 80% silicon wafers shall be strictly performed according to the contract). Both parties agree to determine such price through negotiation before the 20<sup>th</sup> day of the previous month, and such negotiated price generally shall not exceed RMB [\*\*\*\*]\* per wafer. If the parties fail to reach an agreement on price, the price of the 20% silicon wafers is allowed to be adjusted to increase by RMB 1.00 higher than the supply price of current month as stipulated in Appendixes A and B.

d) Price adjustment of supply in following years shall be performed according to foregoing article.

**1.2.3 Price adjustment principle of supply in following years:** based on the friendly and non-competitive long-term partnership of both parties, if the buyer pays prepayment according to the Article 6 hereunder, the seller promises to provide timely and favorable supply arrangement to the buyer and assure that the buyer's purchase price from the seller will have stable competitive favorable advantage compared with market price in the same period; the seller promises that the supply prices offered to the buyer from 2012 to 2015 shall be more favorable than that of 2011, thus to further increase the competitive favorable advantage of the buyer's purchase price from the seller compared with market price in the same period.

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### 1.3 Payment:

a) Monthly supply arrangement: from the date of this contract, based upon the supply amount of current month agreed by both parties, both parties shall determine the details of shipment quantity (the quantity is determined and fixed before such supply year according to Article 1.1 hereunder), batches and price (if there is change) in writing before the 20<sup>th</sup> day of each month. If both parties fail to reach an agreement over the shipment batches for the next month within above-mentioned term, the seller shall be entitled to arrange shipment batches for the next month on its own discretion based on its production capacity, provided that the seller shall make equal shipment of each batch and complete the whole supply in such month;

b) Payment of the buyer: the buyer shall pay correspondingly the payment for the next month in full to the seller before the 25<sup>th</sup> day of each month according to above-mentioned shipment quantity and price. Payment shall be delivered by bank wiring. The above-mentioned payment obligation shall be the buyer's definite and independent. The seller shall not refuse to perform the obligation of payment if there is no event of change of circumstances, or, even if there is event of change of circumstance, if the parties fail to reach a new agreement on the price through negotiation;

c) Payment benchmark prices: the prices indicated in Appendix Two Form A-1 hereof (and price lists of the negotiated price for following supply years) shall be payment benchmark prices and the buyer shall deliver the payments of goods according to foregoing article of contract benchmark prices.

d) Payment settlement and return: in case of price negotiation stipulated hereunder, if the actual payment of the buyer is higher or lower than the actually accrued payables resulting from the difference of payment benchmark price and actual supply price, the exceeding payment shall offset the payment of next month and the insufficient part shall be supplemented in the next month.

1.4 Purchase obligation of the buyer: the buyer shall guarantee to purchase goods at a quantity stipulated by Appendix A-1 hereof (or the adjusted quantity of goods agreed by both parties in written agreement) every month within the term stipulated in this contract according to payment term stipulated hereunder, except otherwise stipulated in this contract. If the buyer fails to perform above-mentioned purchase obligation due to the buyer's reasons, for example, the buyer fails to deliver the payment for goods as scheduled, the buyer shall bear liabilities for breach of contract as stipulated by Article 8.1 hereunder. In addition, in the event that the seller increases price of similar product of the same kind under the contract according to the market trend, the seller shall be entitled to require the buyer to supplement such price difference according to the latest new price which is agreed by both parties through negotiation. If the buyer refuses to supplement price difference, the seller shall be entitled to require the buyer to assume liabilities for breach of contract according to Article 8.1 hereunder and to terminate the contract. Both parties shall re-negotiate the annual total sales amount and monthly sales amounts for the next year in the fourth season of each year, provided, if both parties fail to reach an agreement in writing over the above-mentioned matters until December 20 of current year, then the annual sales amount and monthly sales amounts for the next year shall still be in accordance with Appendix A-1 hereunder on a monthly basis.

1.5 Sales obligation of the seller: the seller shall guarantee it would provide the buyer with goods (or the adjusted quantity of goods consented by both parties) it shall sell in current month within the contract term according to the terms of delivery stipulated hereunder. If the seller fails to perform above-mentioned sales obligation of current month due to the seller's reasons, for example: the seller fails to deliver goods as scheduled, and the seller fails to cure such failure within 10 days, the seller's delivery shall be deemed as delayed, in such event the seller shall pay a liquidated damage of 1% of payment such batch of goods which have not been delivered as scheduled, and the liquidated damage shall not exceed [\*\*\*\*]\*% of the payment of goods whose delivery has been delayed. If the seller fails to cure such failure within 20 days, both parties agree that such failure shall be deemed as breach of contract. After notifying the seller, the buyer is entitled to unilaterally dissolve purchase obligation of the undelivered part of goods and to purchase insufficient part from the open market, or the buyer is also entitled to require the seller to continue to deliver the delayed goods.

If the seller needs to modify supply quantity of goods stipulated in this contract due to unexpected change of its production capacity, the seller shall give a written notice to the buyer promptly and both parties shall promptly reach an agreement over adjustment of supply quantity. If the parties can't reach an agreement, the seller is entitled to supply the buyer with not less than 90% of the original supply quantity in current month stipulated by Appendix A-1, and such resulted insufficiency in sales amount as compared to the monthly sales amount stipulated by Appendix A-1 shall not be deemed as delayed delivery by the seller. If the seller fails to meet the above-mentioned minimum supply amount for 3 consecutive months without justified reasons, such failure shall be deemed as breach of contract.

## 2. Contract Performance:

2.1 Place of delivery: factory warehouse designated by the seller.

2.2 For each batch of goods, the authorized person of the buyer will accept by signing to confirm quantity, appearance, specification and type on the external package of that batch in the place of delivery agreed by both parties. The signature of confirmation of authorized person shall be deemed as the buyer's confirmation of acceptance of the quality in the above-mentioned aspects; after goods are delivered, the buyer shall bear quality warranty responsibility for 30 days from the delivery date, and shall not assume liabilities otherwise.

2.3 Risk taking: after goods are delivered to the buyer, all risks are transferred to the buyer.

2.4 Date of delivery: date of delivery and delivery amount of goods of current batch are subject to the time limit indicated by the seller's bill of lading.

2.5 Goods package: professional package suitable for land transportation and the packaging satisfy the demand of long distance safe transportation.

2.6 Delayed Pickup:

If the buyer refuses to pick up or fails to pick up goods according to the pickup date on the bill of lading and delivered amount of current batch, and still fails to pick up goods within 10 days after the seller notice, such buyer's pickup shall be deemed as delayed pickup. Upon the term of pickup period agreed by both parties, the risk of goods shall be transferred to the buyer, meanwhile the seller shall be entitled to re-arrange the delivery term and quantity without bearing resulting liabilities for breach of contract for delayed delivery. According to foregoing provisions, though the risk is transferred to the buyer, the seller shall still be responsible for taking care of the goods. The protective measures adopted by the seller for the goods shall not be worse than the measures adopted for the goods to which the seller takes risks. If the seller has fulfilled above-mentioned responsibilities but this batch of goods are still damaged or lost, the above-mentioned losses shall be borne by the buyer.

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### 3. Transportation Insurance

3.1 Road automobile transportation: the buyer shall organize vehicles and bear expenses for loading and unloading and transportation, and the seller shall assist buyer for loading and unloading.

3.2 Goods insurance shall be handled and paid by the buyer.

### 4. Quality Index: see Appendix One “Silicon Wafer Product Specification”

The seller shall provide quality assurance that the delivered goods conform to requirements of above-mentioned specifications and assures the factory damage rate is less than 0.3%. If the damage rate is higher than such percentage, the seller shall bear the loss for the exceeding part of goods. The seller is responsible for delivering the replacements to the place where the buyer is located within 30 days after receiving a written notice from the buyer and the returned broken silicon wafers, or delivering the replacement in next delivery.

### 5. Acceptance and Term of Objection:

#### 5.1 Acceptance:

5.1.1 If the buyer has objection to product quality, the buyer shall bring up the quality objection in writing to the seller within 30 days from the date of delivery by the seller, otherwise the buyer will be deemed to have accepted the seller's products as fully conforming to all requirements hereunder.

5.1.2 If the buyer doesn't bring up objection within the term stipulated by Article 5.1.1, or while the Buyer brings up objection within above-mentioned term, such silicon wafers in objection has been put into production by the Buyer, then the buyer will be deemed to have accepted the seller's products as fully conforming to all requirements hereunder. If the buyer, together with the seller, takes random samps of silicon wafers in quality objection and seals them up for third party inspection, and such third party confirms the existence of quality defects, then such batch of silicon wafers (including the part which has been put into production), by percentage, shall be deemed as being in inconformity against quality standard.

5.1.3 If the buyer has objection as to whether the quality of some batch of goods confirms to the standard stipulated by Article 4 hereunder, the buyer shall send a written notice attached with preliminary inspection report to the seller within the above-mentioned objection period. The notice shall be delivered by fax or courier. If the seller has different opinion to the quality of goods, the seller shall notify the buyer to bring the samples confirmed by both parties to a unit with justified qualification and accepted by both parties within 10 days from receiving the written notice and inspection report. If both parties fail to reach an agreement, the samples shall be subject to appraisal inspection of State Key Laboratory of Silicon Materials of Department of Materials Science and Engineering of Zhejiang University (contact Tel: 0571-87951667). If the appraisal result confirms the inconformity of products against the agreed standard, the seller shall undertake the appraisal fee and shall replace unqualified products with qualified products and bear transportation fee for replacement within 20 days after the result is confirmed. If the seller fails to replace unqualified products with qualified products within above-mentioned term, the seller shall assume liabilities for breach of contract for delayed delivery according to Article 1.5 and 8.2 hereunder; if the appraisal result confirms the products conforms to the quality standard, the buyer shall bear appraisal fee.



## 6. Prepayment

6.1 The prepayment of this contract totals RMB [\*\*\*\*]\* (RMB [\*\*\*\*]\*), including prepayment of RMB [\*\*\*\*]\* (RMB [\*\*\*\*]\*) which shall be paid by within 20 days after the execution of this contract, which is for the purpose of locking up supply in 2011. The second prepayment of RMB [\*\*\*\*]\* (RMB [\*\*\*\*]\*) shall be paid before June 2011 t, which is used for locking up annually supply from 2012 to 2016. The payment shall be delivered by bank wiring. If the payment is delayed, the buyer shall assume liabilities for breach of contract to the seller at 1% of the amount for undelivered payment for each day. If the prepayment is delayed for 30 days, besides the liquidated damages which shall be paid by the buyer to the seller according to above-mentioned article, the seller may choose:

(1) termination of contract. The buyer shall deliver the paid prepayment to the seller as liquidated damages. If the prepayment is less than RMB [\*\*\*\*]\*, the minimum unqualified shall be RMB [\*\*\*\*]\* (this article applies only under the circumstance where the buyer express its refusal to pay prepayment in writing or by its own act);

(2) Temporary suspension of contract until prepayment is paid off. Before prepayment is paid off, if the seller needs to re-arrange delivery term and quantity according to the percentage of actual paid prepayment, the seller does not bear liabilities for breach of contract resulting from delayed delivery.

6.2 With regard to the monetary obligation the buyer causes to the seller in the course of contract performance, the seller is entitled to deduct such monetary obligation from the prepayment, provided that such deduct is limited to the payment that the buyer is obligated to pay to the sell, and notify the buyer to replenish the prepayment within 5 days from the date of deduction. If the buyer refuses to replenish or fails to replenish prepayment in full within such term, the buyer shall bear liabilities for breach of contract to the seller according to Article 6.1 hereunder.

6.3 If any party rescinds the contract as stipulated hereunder, the seller shall return the paid prepayment after deducting liquidated damage due from the buyer for breach of contract and unpaid payment for goods.

6.4 The time of deducting such prepayment is: from January 2012 to November 2016, a payment of RMB [\*\*\*\*]\* (RMB [\*\*\*\*]\*) is deducted on average every month, in December 2016 RMB [\*\*\*\*]\* (RMB [\*\*\*\*]\*) is deducted. After deduction, the buyer shall pay the insufficient part of payment for the current month to the seller according to Article 1.2 hereunder.

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## 7. Obligation of Confidentiality:

7.1 Both buyer and seller and their respective employees, agents or consultants shall have obligation of confidentiality to the content of this contract (including but not limited to product model, specification, unit price, quantity, quality and settlement mode, etc); without consent of the other party, neither party shall disclose the content to any third party.

7.2 The buyer shall keep in strict confidentiality of seller's current production capability, warehouse inventories, development plan as well as seller's other business secrets and product information to which the buyer has access in its operation.

## 8. Liabilities for Breach of Contract:

8.1 Liabilities for breach: if the buyer is unable to pay the payment for goods in full in the final term hereunder, the buyer promises it would pay liquidated damages of 1‰ of the due and unpaid payment to the seller for each day from the date of breach, and the maximum liquidated damages shall not exceed 3 % of the due and unpaid payment. After the buyer has been notified by the seller for delayed payment, if the payment is delayed for 30 days, the seller shall be entitled to choose from:

(1) Termination of the contract. Besides the buyer's obligation to pay liquidated damages to the seller according to foregoing article, the buyer also needs to pay liquidated damages of RMB [\*\*\*\*]\* (RMB [\*\*\*\*]\*) to the seller.

(2) Temporary suspension of the contract. Besides the buyer's obligation to pay daily liquidated damages to the seller according to foregoing article, the seller shall be entitled to suspend delivery of shipment until the buyer supplements all due and unpaid payment, and then the seller may re-arrange following shipment period and shipment quantity.

8.2 If the seller delays delivery, from the date of delayed delivery stipulated by Article 1.6 hereunder , the seller shall pay liquidated damages of 1‰ of the due and unpaid payment for each day to the buyer and the maximum liquidated damages mentioned above shall not exceed 3 % of the payment for goods which should have been delivered but have not been delivered by the seller. If the seller delays delivery for over 30 days and still fails to perform it, the buyer shall be entitled to notify the seller of termination of the contract, meanwhile the seller shall bear liquidated damages of 3% value of the products for delayed delivery.

8.4 Quality breach: if products of the seller fails to conform to requirements stipulated in the contract, the buyer shall be entitled to require the seller to replace them with products satisfying requirements stipulated in the contract. The foregoing provisions shall be the only relief for the buyer for un-qualified products and the sole responsibility the seller assumes for un-qualified products.

8.5 Liability for breach of confidentiality: unless under the circumstances that disclosure is necessarily required by law or by authorized supervision department or domestic and international securities supervision rules, if any party breaches the contract by disclosing content of the contract, the other party may require the defaulting party to assume the liability for breach of no more than RMB [\*\*\*\*]\*; if the buyer infringes on business secrets of the seller, the seller may require the buyer to assume general liabilities for breach of confidentiality, and furthermore, to compensate for other economic losses incurred by the seller.

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8.6 Disclaimer: as permitted by law, the seller has not made any other expressed or implied warranty for products or other content, and clearly states that it has not made any legal, expressed or implied warranty, including warranty for marketability, special applicability and non-infringement as well as all statements or warranties which come in the course of transaction or from trading practice.

#### 8.7 Limitation of Liability:

8.7.1 As permitted by law, notwithstanding any provision hereunder, under no circumstance shall the seller bear any liability to the buyer for any direct or derivative loss or damage or any loss of profit or earning which is caused by or resulted from products or the seller's performance of or breach of the contract, no matter it is based on contract, tort (including malpractice), any warranty or other provisions. As permitted by law, the relief clearly stipulated hereunder shall be the sole and exclusive relief for the buyer, no matter the claim is based on contract, tort (including malpractice), any warranty or other provisions. As permitted by law, notwithstanding any provision hereunder, total accumulated liabilities incurred by the seller relate to this contract shall not exceed 3% of total value of goods involved in the breach of contract. The buyer admits and agrees that, the limited relief and limitation of liability hereunder has been negotiated and is the fundamental article of the contract. If the relief and liability were not limited, the contract consideration would be higher.

8.7.2 As permitted by law, notwithstanding any provision hereunder, under no circumstance shall the buyer bear any liability to the seller for any direct or derivative loss or damage or any loss of profit or earning which is caused by or resulted from the buyer's performance of or breach of the contract, no matter it is based on contract, tort (including malpractice), any warranty or other provisions. As permitted by law, the relief clearly stipulated hereunder shall be the sole and exclusive relief for the seller, no matter the claim is based on contract, tort (including malpractice or strict liability of compensation), or other provisions. As permitted by law, notwithstanding any provision hereunder, total accumulated liabilities incurred by the buyer related to the contract shall not exceed RMB [\*\*\*\*]\* ([\*\*\*\*]\*).

#### 9. No Commercial Fraud:

If the buyer or the seller violates the principle of fairness and good will by providing false registration information, qualification, certification, information to the other party or omitting facts from the other party so as to cheat the counterparty or final user, such party shall assume liquidated damages of 20% of the contractual amount to the other party; this provision shall be without prejudice to the liabilities for breach of contract assume by any party according to other articles.

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## **10. Force Majeure**

10.1 “Force majeure” refers to occurrence of serious natural disaster (such as hurricane, floods, earthquake, fire disaster and explosion, etc), war, revolt, unrest, and any other circumstance the affected party is unable to predict or has predicted but is unable to avoid or control. If any force majeure prevents any party from the performance of any obligation hereunder, the performance period shall be extended to cover the time period affected by force majeure. However, any obligation related to payment hereunder shall not be modified due to force majeure.

10.2 After occurrence of force majeure, the affected party shall immediately notify the other party about the occurred force majeure by fax or e-mail and deliver a proper certificate to confirm force majeure within fourteen (14) days after the occurrence of this event.

10.3 If the effect of force majeure continues for more than 30 days, both parties hereto shall meet promptly and negotiate for a solution to the issues (including delivery, acceptance) caused by force majeure.

## **11. Dispute Settlement:**

11.1 For anything unmentioned, both parties hereto shall negotiate otherwise and sign a formal supplemental agreement in writing.

11.2 If any dispute arises in the performance of the contract, both parties shall firstly settle such dispute through negotiation. If the parties fail to reach an agreement through negotiation, the parties may submit the dispute to China International Economic and Trade Arbitration Commission for arbitration according to arbitration rules it releases. The arbitration shall be held in Shanghai.

## **12. Effectiveness:**

12.1 The buyer and the seller confirm unanimously, representatives for executing the contract have been fully authorized by the parties, respectively. The contract shall be effective after it is sealed by both parties and signed by authorized representatives and the seller receives first prepayment from the buyer;

12.2 Each page hereof shall be executed by authorized representatives or stamped with seal on the perforation of the unit;

12.3 Without an agreement through negotiation by both parties hereto, neither party may unilaterally terminate or modify this contract;

## **13. Miscellaneous:**

13.1 Both parties agree that the seller shall be entitled to transfer part of its rights and obligations hereunder to its affiliates and the transferee affiliates shall perform the delivery obligation above-mentioned. Appendix Three *Affiliated Companies Cooperation Agreement* shall be referenced for details of such transfers. The list of affiliates hereunder are as follows:

Jiangsu GCL Silicon Materials Science & Technology Development Co., Ltd.

Address: No. 66, Yangshan Road, Xuzhou Economic Development Zone, Jiangsu

13.1 The contract shall be in 4 original copies, Party A and Party B shall hold 2 copies respectively and each copy shall have the same legal force.

Buyer (seal): /s/ China Sunergy  
(Nanjing) Co., Ltd.

Special seal of contract

Bank of deposit:

Account No.

Authorized signatory (signature):

Position:

Date: January 17, 2011

Seller (seal): /s/ Jiangsu GCL Silicon  
Materials Science & Technology Development Co., Ltd.

Special seal of contract

Bank of deposit:

Account No.

Authorized signatory (signature):

Position:

Date:

## “Appendix One “Silicon Wafer Product Specification”

Crystal Growth Method	DSS	
Conductivity Type/Dopant	P/Boron	ASTM M42
Oxygen Concentration	$\leq 1.0 \times 10^{18}$ atoms/cm <sup>3</sup>	ASTM F1188
Carbon Concentration	$\leq 8.0 \times 10^{17}$ atoms/cm <sup>3</sup>	ASTM F1391
Electrical properties		
Resistivity	1~3Ωcm	ASTM F43, ASTM F84
Lifetime	$\geq 2\mu\text{s}$	ASTM F28
Geometry		
Width	156±0.5mm	
Rectangular angle	90±0.3°	
Diagonal	219.2±0.5mm	
Thickness	200±20μm	ASTM F533
TTV	$\leq 30\mu\text{m}$	ASTM F533, F657
Saw marks	$\leq 20\mu\text{m}$	
Edge/Chip	Edge width $\leq 0.3\text{mm}$ , length $\leq 0.5\text{mm}$ , 2 pieces/wafer at most; disallowing “V-shaped” chip; not hidden crack.	
Warpage	$\leq 50\mu\text{m}$	ASTM F657
Micrograin	Single micrograin size $< 3 \times 3\text{mm}^2$ , the whole micrograin area $< 3 \times 3\text{cm}^2$	
Surface quality	No surface damage, no stain, no water spots, no hole on the surface, no chips and shortcorner, no cracks	
Package & Labels		
Package	GCL standard package, 100 wafers/piece, 300 pieces/bag, fragment rate in the transportation course	
Labels	Order No., batch No., quantity of silicon wafers, specification and size, etc	

**Appendix Two: A-1**

1.

**Details of monthly supply quantity and price in 2011**

2011	1	2	3	4	5	6	7	8	9	10	11	12	Subtotal
Quantity of polycrystalline silicon wafers (in 10000 wafers)	[****]*	[****]*	[****]*	[****]*	[****]*	[****]*	[****]*	[****]*	[****]*	[****]*	[****]*	[****]*	[****]*
Unit price of polycrystalline silicon wafers (RMB/wafer)	[****]*	[****]*	[****]*	[****]*	[****]*	[****]*	[****]*	[****]*	[****]*	[****]*	[****]*	[****]*	[****]*
Amount (in RMB 10,000.00)	[****]*	[****]*	[****]*	[****]*	[****]*	[****]*	[****]*	[****]*	[****]*	[****]*	[****]*	[****]*	[****]*

Note: in case of market fluctuation, both parties shall negotiate the prices according to provisions of the contract.

2.

**Details of monthly supply quantity and price in 2011**

2011	5	6	7	8	9	10	11	12	Subtotal
Quantity of mono-crystalline silicon wafers (in 10000 wafers)	[****]*	[****]*	[****]*	[****]*	[****]*	[****]*	[****]*	[****]*	[****]*
Unit price of mono-crystalline silicon wafers(RMB/wafer)	Specification and delivery price of products of mono-crystalline silicon wafers shall be determined before April 10, 2011								

3.

**Purchasing silicon wafer according to following quantities and prices from 2011-2015**

Year	2011	2012	2013	2014	2015	2016	Total
Supply quantity of polycrystalline silicon wafers (MW)	[****]*	[****]*	[****]*	[****]*	[****]*	[****]*	[****]*
Quantity of polycrystalline silicon wafers (in 10000 wafers)	[****]*	[****]*	[****]*	[****]*	[****]*	[****]*	[****]*

Calculation basis: the output power of polycrystalline silicon wafer is 4 watt/wafer (this output power is only for the convenience of calculation and does not represent any commitment from the seller):

\* This portion of the Long Term Sales Contract between Sunergy Nanjing and Suzhou GCL Photovoltaic Technology Co., Ltd. has been omitted and filed separately with the Securities and Exchange Commission, pursuant to Rule 24b-2 under the Securities Exchange Act of 1934.

**Appendix Three:**

**Affiliated Companies Cooperation Agreement**

Party A: China Sunergy (Nanjing) Co., Ltd.

Address: No. 123, Focheng West Road, Jiangning Economic and Technological Development Zone, Nanjing

Party B: Suzhou GCL Photovoltaic Technology Co., Ltd.

Address: No. 68, Kunlunshan Road, Hi-tech Zone, Suzhou

Party C: Jiangsu GCL Silicon Materials Science & Technology Development Co., Ltd.

Address: No. 66, Yangshan Road, Economic Development Zone, Xuzhou, Jiangsu

Party D: Changzhou GCL Photovoltaic Technology Co., Ltd.

Address: No. 1, Xinsi Road, Xinbei District, Changzhou

Whereas:

(1) Party A and Party B have signed *Polycrystalline Silicon Wafers Sales Contract* (hereinafter referred to as “Silicon Wafers Contract”, contract No. is NPM111009), under which Party B provides Party A with a certain amount of solar-grade polycrystalline silicon wafers;

(2) Party C and Party D are affiliated companies of Party B, specializing in research and development, production and sales of products of polycrystalline silicon wafers.

Party A, Party B, Party C and Party D conclude following cooperation agreement through friendly negotiation:

1. Party B shall be entitled to designate Party C and Party D to perform part of its rights and obligations under “Silicon Wafers Contract” on behalf its behalf, Party C and Party D unconditionally accept the transfer of Party B and enjoy the transferred contractual rights and assume corresponding obligations. 10 days before the term of its performance, Party B shall deliver a notice in writing to Party A regarding the above-mentioned designated act and assume all joint liabilities of warranty for its designation. Not matter how supply obligations are designated, Party B shall constantly assume obligations of the contract for the performance, quality assurance, notice, negotiation, etc and assume legal liabilities for breach, compensation, etc to Party A as the counter party. The above-mentioned transfer is effective upon Party A’s receipt of transfer notice from Party B. The notice may be sent by bill of lading, letter, express or e-mail.



2. Party C and Party D promise that, they have knowledge and understand the content of “ **Silicon Wafers Contract** ” and all provisions of its Appendixes, and agree to be bound by all provisions of “ **Silicon Wafers Contract** ” and its Appendixes. Party C’s and Party D’s performance of obligations of “the seller” under “Silicon Wafers Contract” to Party A hereunder shall be deemed Party B’s performance of its contractual obligations to Party A.

3. Each party agrees, under “ **Silicon Wafers Contract** ”, Party C and Party D only enjoy rights and assume liabilities and obligations in respect of the part transferred by Party B and performed by them according to provisions, Party A shall perform liabilities and obligations under Silicon Wafers Contract to Party C and Party D in respect of the goods of transferred part according to provisions. If Party A breaches the contract, Party B, as transferor of rights and obligations of “the seller” under “ **Silicon Wafers Contract** ” and coordinator of goods supply, along with Party C and Party D shall be all entitled to claim liabilities for breach of contract from Party A according to provisions of original contract.

4. Anything unmentioned in the agreement may conclude by all parties through a supplemental agreement. In case of disputes, the parties shall settle such disputes through friendly negotiation.

5. As appendix of “ **Silicon Wafers Contract** ”, this agreement shall constitute a part of “Silicon Wafers Contract” and shall take effect upon the date “Silicon Wafers Contract” takes effect.

6. The agreement shall be in six original copies, each party shall hold two copies respectively and each copy shall have the same legal force.

Party A (seal): /s/ China Sunergy (Nanjing) Co., Ltd.

Special seal of contract

Authorized signatory (seal):

Position:

Date: January 17, 2011

Party C (seal): /s/ Jiangsu GCL Silicon Materials Science & Technology Development Co., Ltd.

Special seal of contract

Authorized signatory (seal):

Position:

Date:

Party B (seal): /s/ Suzhou Changzhou GCL Photovoltaic Technology Co., Ltd.

Special seal of contract

Authorized signatory (seal):

Position:

Date:

Party D (seal): /s/ Changzhou GCL Photovoltaic Technology Co., Ltd.

Special seal of contract

Authorized signatory (seal):

Position:

Date:

## CSUN Silicon Wafers (Materials) Purchase Contract

Contract No.: NPM111186

Place of signature: Jiangning District, Nanjing

Seller: CEEG (Nanjing) Semiconductor Co., Ltd.  
Address: No.6, Shuige Road, Jiangning Economic & Technological  
Development Zone, Nanjing  
Contact person of Contract: Zhang Yang  
Contact No.: 025-52095899

Buyer: China Sunergy (Nanjing) Co., Ltd.  
Address: No.123, Focheng West Road, Jiangning Economic &  
Technological Development Zone, Nanjing  
Contact person of Contract: Liu Shijie  
Contact No.: 025-52766603

Upon the principle of trustworthiness and mutual benefit, through sufficient negotiation, both parties conclude following contract over the matter of silicon wafers (materials) purchase on the basis of General Terms of CSUN Silicon Wafers (Materials) Purchase Contract recorded in Appendix One:

### Special terms

#### I. Order

##### 1. Product name, specification model, quantity, unit price, total price

1.1 The seller provides the buyer with 3 million 156 silicon wafers every month from October 2011 to December 2013, the supply quantities of mono-crystalline and polycrystalline silicon wafers are negotiated in reference to monthly actual purchase demand of the buyer.

1.2 The price of every order is discussed singly in reference to price of silicon wafer on the market in the same period.

Notes: In the term of performing contract, if the market price of silicon falls, both parties may re-decide price through negotiation on the basis of market price. If negotiation doesn't work, the buyer may terminate the contract.

##### 2. Seller's Delivery Term, Delivery Place and Transportation Mode

2.1 Delivery Term: If the seller is in short of supply, both parties may re-discuss undelivered quantity in reference to market price.

2.2 Delivery Place: Seller's factory

2.3 Transportation Mode: Automobile transportation

##### 3. Buyer's Payment Mode and Payment Time

3.1 After the contract takes effect and before December 30, 2011, the buyer pays a down payment of RMB 150 million to the seller by T/T or bank draft .

3.2 The deduction time of this down payment is: From January 2013 to December 2013, it is averagely deducted at RMB 12,500,000.00 every month (Renminbi twelve million and five hundred thousand yuan only).

3.3 After the contract takes effect, the buyer shall remit payment for goods to designated account of the seller 7 days after receiving goods from the seller.



## II. Modification and Supplement of General Terms

### 4. Modification

Through sufficient negotiation, both parties modify General Terms hereof as follows:

- 4.1 Article 2.3 of General Terms is modified as: Internal Quality Inspection: The buyer shall finish internal quality inspection within 20 days from the date goods arrive at its factory. The buyer shall take a random selection of 10% goods which have passed preliminary acceptance for preproduction. The buyer produces Preproduction Report according to the result of preproduction; the report shall be conclusion of final inspection and acceptance standard recognized by both parties.

### 5. Effectiveness and Others

- 5.1 The contract shall be in 2 original copies and shall take effect when both parties sign and seal it. The buyer and the seller shall hold one respectively.
- 5.2 The buyer and the seller shall deliver original of contract text to each other within 3 working days after the contract is signed. The effect of facsimile shall be equivalent to that of original.
- 5.3 The contract and its appendixes shall be indispensable parts of this contract and have seal on the perforation when they are signed. Effectiveness of special terms hereunder shall be preferential. If they aren't clearly stipulated, general terms shall be applicable to them.
- 5.4 For anything unmentioned in the contract, both parties shall negotiate otherwise and sign a supplemental agreement. The supplemental agreement shall be an effective part hereof and shall have the same legal force as this contract.

### Appendix List:

#### Appendix One: General Terms of CSUN Silicon Wafers (Materials) Purchase Contract

#### Appendix Two: Silicon Wafers (Materials) Acceptance and Inspection Standard

**Buyer:**

China Sunergy (Nanjing) Co., Ltd.  
/seal/ China Sunergy (Nanjing) Co., Ltd.

**Seller:**

CEEG(Nanjing) Semiconductor Co., Ltd.  
/seal/ CEEG(Nanjing) Semiconductor Co., Ltd.

\_\_\_\_\_  
(Seal)

\_\_\_\_\_  
(Seal)

\_\_\_\_\_  
(Signature of authorized representative)

\_\_\_\_\_  
(Signature of authorized representative)

Date of signature: September 22, 2011

Date of signature: YY/MM/DD

## English Translation for Reference Only

## CSUN Silicon Wafers (Materials) Purchase Contract

Contract No.: NPM111032Signature place: Jiangning District, Nanjing

Seller: CEEG (Nanjing) Semiconductor Co., Ltd.  
Address: No.6, Shuige Road, Jiangning Economic & Technological  
Development Zone, Nanjing  
Contact person of Contract: Zhang Yang  
Contact No.:025-52095899

Buyer: China Sunergy (Nanjing) Co., Ltd.  
Address: No.123, Focheng West Road, Jiangning Economic &  
Technological Development Zone, Nanjing  
Contact person of Contract: Liu Shijie  
Contact No.:025-52766603

Upon the principle of trustworthiness and mutual benefit, through sufficient negotiation, both parties conclude following contract over the matter of silicon wafers (materials) purchase on the basis of General Terms of CSUN Silicon Wafers (Materials) Purchase Contract recorded in Appendix One.

## Special terms

## I. Order

## 1. Product name, specification model, quantity, unit price, total price

Order	Product name	Specification model	Unit	Quantity	Unit price	Total price	Notes
1	Polycrystalline silicon wafer	M156	Wafer	3,500,000	RMB25.8/wafer	90,300,000.00	Inc. Tax
2	Mono-crystalline silicon wafer	S156	Wafer	3,500,000	RMB28/wafer	98,000,000.00	Inc. Tax
Total in capital: One hundred and eighty eight million and three hundred thousand yuan only (inc.17% VAT)in lower case:188,300,000.00							

Notes: In the term of performing contract, if the market price of silicon falls, both parties may re-decide price through negotiation on the basis of market price. If negotiation doesn't work, the buyer may terminate the contract.

## 2. Seller's Delivery Term, Delivery Place and Transportation Mode

2.1 Delivery Term: The seller shall finish supply before March 31, 2011.2.2 Delivery Place: The seller's factory.2.3 Transportation Mode: Automobile transportation

## 3. Buyer's Payment Mode and Payment Time

Within 3 working days since the contract takes effect, the buyer shall remit overall payment for goods to designated account of the seller on the basis of notice provided by the seller.

## II. Modification and Supplement of General Terms

## 4. Modification

Through sufficient negotiation, both parties modify General Terms hereof as follows:

4.1 Article 1.2 of General Terms is modified as follows: The buyer is responsible for transportation, transportation fee and assurance fee.

**5. Supplementary Provision**

Through sufficient negotiation, both parties supplement General Terms hereof as follows:

5.1 The buyer shall accept 1% Fch. franchise of unacceptable silicon wafers.

**6. Effectiveness and Others**

6.1 The contract shall be in 2 original copies and shall take effect when both parties sign and seal it. The buyer and the seller shall hold one respectively.

6.2 The buyer and the seller shall deliver original of contract text to each other within 3 working days after the contract is signed. The effect of facsimile shall be equivalent to that of original.

6.3 The contract and its appendixes shall be indispensable parts of this contract and have seal on the perforation when they are signed. Effectiveness of special terms hereunder shall be preferential. If they aren't clearly stipulated, general terms shall be applicable to them.

6.4 For anything unmentioned in the contract, both parties shall negotiate otherwise and sign a supplemental agreement. The supplemental agreement shall be an effective part hereof and shall have the same legal force as this contract.

**Appendix List:****Appendix One: General Terms of CSUN Silicon Wafers (Materials) Purchase Contract****Appendix Two: Silicon Wafers (Materials) Acceptance and Inspection Standard****Buyer:**

China Sunergy (Nanjing) Co., Ltd.  
/seal/ China Sunergy (Nanjing) Co., Ltd.

**Seller:**

CEEG (Nanjing) Semiconductor Co., Ltd.  
/seal/ CEEG (Nanjing) Semiconductor Co., Ltd.

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(Seal)

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(Seal)

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(Signature of authorized representative)

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(Signature of authorized representative)

Date of signature: March 9, 2011

Date of signature: YY/MM/DD

**Appendix One:****General Terms of CSUN Silicon Wafers (Materials) Purchase Contract****Special Explanations**

1. General Terms recorded in this appendix shall be an important part of silicon materials (wafers) purchase contract of China Sunergy (Nanjing) Co., Ltd. Special terms in details and revision, modification and supplement of General Terms shall be indicated in the contract signed by both parties. Unless there are special provisions otherwise in the contract, the contract indicated in the appendix shall be the only basis defining rights and obligations of both parties hereof;

2. The seller is well informed of the meaning of every term indicated in General Terms indicated in the appendix, sufficiently understands and knows the meaning of every term of and rights, obligations and responsibilities of every item of them.

3. Both parties hereof shall be in a status of equal market principals, they shall both give sufficient negotiation in any content of General Terms and make modification and supplement in the contract. Therefore, no understanding is given to the format article indicated in General Terms of this appendix and unilaterally provided by China Sunergy (Nanjing) Co., Ltd., and no interpretation is given against China Sunergy (Nanjing) Co., Ltd..

**1. Goods Packing, Transportation, Insurance and Risk Transfer**

- 1.1 The seller needs to provide goods packing according to the standard of product safety transportation requirements, and shall bear responsibility of loss caused by improper packing.
- 1.2 The seller shall be responsible for transporting goods to the factory of buyer in a reasonable mode, and assuming transportation fee, insurance fee and risks of goods in transit.
- 1.3 The ownership and risks of goods hereunder shall be transferred when the goods are delivered to designated place of the factory of buyer.

**2. Quality Standard, Quantity and Quality Inspection, Objection and Treatment**

- 2.1 Quality standard shall confirm to production demand of the buyer, details of indicators and requirements, see Appendix Two: Silicon Wafers (Materials) Acceptance and Inspection Standard
- 2.2 Preliminary Acceptance: Within 10 days from the date goods arrive at the factory of buyer, the buyer shall finish quantity and appearance and quality inspection and preliminary electrical performance test on the basis of standards stipulated by the contract.
- 2.3 Internal Quality Inspection: The buyer shall finish internal quality inspection within 30 days from the date goods arrive at its factory. The buyer shall take a random selection of 10% goods which have passed preliminary acceptance for preproduction. The buyer produces Preproduction Report according to the result of preproduction; the report shall be conclusion of final inspection and acceptance standard recognized by both parties.
- 2.4 If any problem involved with quantity, appearance or internal quality is discovered, the buyer shall bring up objection within 30 days from the date goods arrive at the factory. If no objection is brought up in above-mentioned period, it shall be deemed products of the seller are acceptable.
- 2.5 If products delivered by the seller don't confirm to provisions of the contract, both parties may negotiate price reduction; if negotiation doesn't work, the buyer shall be entitled to make following choice:
  - a. Returning products and requiring the seller to return payment; or
  - b. Replacing unacceptable products with acceptable products.

The seller shall come to the buyer's factory to accept returned goods and return payment or replace goods within 3 days from the date it receives a written notice of the buyer.

### 3. Tax Invoice

The seller is responsible for providing the buyer with VAT invoice in full of 17% tax rate within 10 days after delivery. If the seller doesn't provide VAT invoice within 30 days after delivery, which causes losses of the buyer, the seller shall assume the responsibility of damage and compensation for resulting losses.

### 4. Liability for Breach of Contract and Contract Termination

- 4.1 Delay breach: when one party delays performance of delivery (including delay with return and replacement), return of payment or payment obligation, it shall pay liquidated damages for delay to the other party at 0.05% value of unperformed part every day.
- 4.2 Fundamental breach: If the seller delays delivery (including delay with return and replacement), and still doesn't perform it after 7 days, it shall be deemed that it can't perform delivery and the buyer shall be entitled to notify the seller of dissolving the contract (or unperformed part of the contract). The seller shall return the payment sent or the payment for untimely delivery of goods to the buyer within 3 days from the date it receives a notice of contract dissolution in writing from the buyer and pay liquidated damages at 20% value of undelivered goods of the contract.

### 5. Contract Transfer and Contract Confidentiality

- 5.1 Without a written approval of the other party, neither party hereof may transfer all or part of rights or obligations hereunder.
- 5.2 The buyer and the seller and their employees, agents, representatives or consultants shall all deem this contract and all articles and conditions of any supplemental agreement as business secrets. Without a written approval of the other party, they must not disclose them to the third party. In case of violation, the breaching party shall assume liability for damage and compensation for all direct losses and indirect losses caused to the other party hereby.

### 6. Force Majeure

If one party or both parties hereof can't perform the contract due to force majeure, the party in case of force majeure shall notify the other party in writing within 7 days from the date of occurrence of force majeure and submit a written certificate document of local notarial institution within 15 days. If force majeure occurs within the period of delay performance of contract obligations, the affected party must not take force majeure as reason for removing or alleviating its liability for breach. The term of objections and notice (excluding notice of force majeure event) hereunder shall be postponed due to the reason of force majeure. If the duration time of force majeure exceeds 60 days or during the period of force majeure the market price fluctuates over  $\pm 5\%$ , both parties shall be entitled to re-discuss the price or give a written notice of contract dissolution.

### 7. Applicable Laws and Dispute Solution

- 7.1 The contract shall be concluded, interpreted and performed on the basis of laws of the People's Republic of China.
- 7.2 All disputes resulting from reasons such as effectiveness, performance and interpretation of the contract shall be negotiated friendly. If negotiation doesn't work, either party may file a lawsuit. Both parties agree the disputes are under the jurisdiction of people's court in the local place where the buyer is. Related expenses paid for lawsuit (including attorney fee, business trip fee, evidence obtaining fee, notarial fee, lawsuit fee, etc) shall be all borne by the losing party.



**8. Miscellaneous**

- 8.1 No Commercial Bribery and Non-competition: Either party and its staff must not provide improper interests directly, indirectly or by any other disguised method in the name of any person, or engage with staff (including any third person introduced) of the other party in transaction similar to the contract in any mode. In case of violation, it shall be deemed as infringement on the interests of the other party, and the breaching party shall assume liquidated damages at 20% total amount of the contract (the total shall not exceed RMB 1 million). If above-mentioned liquidated damages are not sufficient for compensating for direct or indirect losses caused to the other party hereby, the breaching party also shall assume corresponding liability for damage. The buyer's information of reports against corruption Monitoring Committee of China Sunergy (Nanjing) Co., Ltd., fax: 025-52766726. Email: JC@chinasunergy. Com.
- 8.2 No Commercial Fraud: If the seller provides the buyer with false registration data, qualification certificate, information or hide facts and truth against the principle of honesty and trustworthiness so as to cheat the buyer or final user, it shall assume liquidated damages of 20% contract amount to the buyer (the total shall not exceed RMB 1 million).
- 8.3 Above-mentioned provision on the quota of liquidated damages in the article doesn't affect the liability for breach the breaching party shall assume according to other articles.
- 8.4 Mode of Notice: All notices and objections hereunder shall be sent by fax or express. If they are sent by fax, the date of sending shall be deemed as the date of receiving. If they are sent by express, the 5th date after express is sent shall be deemed as the date of receiving.

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3 /3 Signed and issued by: legal department

## Silicon Wafers (Materials) Acceptance and Inspection Standard

**1. Aim:** Regulating inspection process of silicon wafers of China Sunergy (Nanjing) Co., Ltd., guaranteeing and sustainably improving product quality.

**2. Scope:** Used for incoming inspection process of China Sunergy (Nanjing) Co., Ltd.

**3. Responsibility:** The quality center is responsible for the work of incoming inspection of silicon wafers in strict compliance with this standard.

### 4. Content

#### 4.1 Metal impurity and carbon and oxygen content standard if silicon wafers, see Table 1.

**Table 1 Metal impurity concentration and carbon and oxygen content in silicon wafers of**

Impurity categories	Impurity content of basic total metal (Fe, Cr, Ni, Cu), ppba	Impurity content of apparent total metal (Fe,Zn, Na), ppba	Oxygen (atoms/cm <sup>3</sup> )	Carbon (atoms/cm <sup>3</sup> )
Impurity content Single product (N-type)	≤50	≤70	≤9×10 <sup>17</sup>	≤5×10 <sup>16</sup>
Impurity content SKU (P-type)	≤50	≤70	≤9×10 <sup>17</sup>	≤5×10 <sup>16</sup>
Impurity content Multiple product (P-type)	≤50	≤70	≤3×10 <sup>17</sup>	≤5×10 <sup>17</sup>

#### 4.2 Inspection Method of Silicon Water:

Inspection item		Inspection level	AQL%
Appearance	Conductive type	II	1
	Resistivity		1
	TTV		1
	BOW		1
	Indents		1
	Chips		1
	Stress		1
	Cracks		1
	Else		1

#### 4.2 P-type single product silicon inspection standard, see Table 2.

**Table 2 P-type single product silicon inspection standard**

Inspection item	Acceptable standard	Inspection method	Explanations
Conductive type	P-type	Cold-heat probe testing instrument	
Resistivity(Ω•cm)	1-3/3-6	Four-point probe testing instrument	
Heterogeneous degree of radial resistivity	RRV<25%	Four-point probe testing instrument	
Square size (mm)	125±0.5 156±0.5	Digital Calipers	

Diagonal line (mm)	150±1/165±1 200±1/205±1	Digital Calipers	
Circular arc length (mm)	27.77-32.20/10.40-14.11 19.93-23.80/14.43-18.16	Mould	
Square wafer angle	90°±0.3°	Angle rule	
Thickness (mm)	200±20	Digital micrometer or wafer inspection machine of silicon wafers	<ol style="list-style-type: none"> <li>1. The average thickness of silicon wafers is 200 micrometers</li> <li>2. All thickness in the surface of silicon wafers shall be within the stipulated scope and the thinnest shall not be less than 180 micrometers;</li> <li>3. The thickness of silicon wafers of the same batch shall be shown in normal distribution, namely, the mean value of measuring data shall be within the scope of stipulated thickness.</li> </ol>
Heterogeneous degree of thickness	TTV≤30	Digital micrometer	Under the condition that apparent thickness of silicon wafer is guaranteed, five-point (central point and four points 6mm away from surrounding rims) test is conducted in the surface of silicon wafer to get TTV by conversion.
Dislocation density (piece/cm <sup>2</sup> )	<1000	Guarantee of supplier	
Lifetime of effective current carrier	>1.35us, and>1.4us accounting for above 90%	WT-1000 minority carrier lifetime tester	
Body minority carrier lifetime	>15us	SINTON minority carrier lifetime tester	Post-diffusion test
Photoinduced attenuation	LID≤3%	Preproduction process validation	
Loudness of the center of silicon wafer (black-center wafer)	Percentage <0.05%	Preproduction process validation	
BOW(um)	≤40	Filler gauge	
Saw marks	No noticeable saw marks	Handheld roughness tester	Allowable shear mark depth≤10um
Indents	No indents	Visual contact	The surface of silicon wafer is smooth and has no silicon falling.
Perforating	No perforating	Visual contact	

Contamination	No contamination	Visual contact	Visible greasy dirt, silica powder, cleaning agent, drop marks are prohibited.
Chips	No chips	Visual contact	
Stress	No stress	Feel	When silicon wafer is lightly shaken in the hand, it can't give out noise.
Twin crystal	No twin crystal	Visual contact	Seen from appearance, there are two and more crystals.
Scratches	No scratches	Visual contact	Only if there are obviously visual scratches from foreign matters in the surface of silicon wafers, they are unacceptable regardless of their lengths and sizes.
Unground oxidation film	No unground oxidation film	Visual contact	
Nicks	No nicks	Visual contact	
Shortcorners	No shortcorners	Visual contact	
Fissures /subfissures	No fissures /subfissures	Visual contact	
Eccentricity	Eccentricity degree <0.5mm	Mould	

#### 4.4 N-type mono-crystalline silicon wafer inspection standard, see Table 4.

**Table 4 N-type mono-crystalline silicon wafer inspection standard**

Inspection item	Acceptable standard	Inspection method	Explanations
Conductive type	N-type	Cold-heat probe testing instrument	
Resistivity( $\Omega \cdot \text{cm}$ )	1-3/3-6	Four-point probe testing instrument	
Heterogeneous degree of radial resistivity	RRV<25%	Four-point probe testing instrument	
Square size (mm)	125 $\pm$ 0.5 156 $\pm$ 0.5	Digital Calipers	
Diagonal line (mm)	165 $\pm$ 1 200 $\pm$ 1/205 $\pm$ 1	Digital Calipers	
Circular arc length (mm)	10.40-14.11 19.93-23.80/14.43-18.16	Mould	

Square wafer angle	$90^{\circ} \pm 0.3^{\circ}$	Angle rule	
Thickness	$200 \pm 20$	Digital micrometer or wafer inspection machine of silicon wafers	<ol style="list-style-type: none"> <li>1. The average thickness of silicon wafers is 200 micrometers</li> <li>2. All thickness in the surface of silicon wafers shall be within the stipulated scope and the thinnest shall not be less than 180 micrometers;</li> <li>3. The thickness of silicon wafers of the same batch shall be shown in normal distribution, namely, the mean value of measuring data shall be within the scope of stipulated thickness.</li> </ol>
Heterogeneous degree of thickness	TTV $\leq 30$	Digital micrometer	Under the condition that apparent thickness of silicon wafer is guaranteed, five-point (central point and four points 6mm away from surrounding rims) test is conducted in the surface of silicon wafer to get TTV by conversion.
Dislocation density (piece/cm <sup>2</sup> )	None	Guarantee of supplier	
Body minority carrier lifetime	>1000us	SINTON minority carrier lifetime tester	Post-diffusion test
Photoinduced attenuation	LID $\leq 0.5\%$	Preproduction process validation	
Loudness of the center of silicon wafer (black-center wafer)	Percentage <0.05%	Preproduction process validation	
BOW (um)	$\leq 40$	Filler gauge	
Saw marks	No noticeable saw marks	Handheld roughness tester	Allowable shear mark depth $\leq 10\mu\text{m}$
Indents	No indents	Visual contact	The surface of silicon wafer is smooth and has no silicon falling.
Perforating	No perforating	Visual contact	
Contamination	No contamination	Visual contact	Visible greasy dirt, silica powder, cleaning agent, drop marks are prohibited.
Chips	No chips	Visual contact	
Stress	No stress	Feel	When silicon wafer is lightly shaken in the hand, it can't give out noise.

Twin crystal	No twin crystal	Visual contact	Seen from appearance, there are two and more crystals. Only if there are obviously visual scratches from foreign matters in the surface of silicon wafers, they are unacceptable regardless of their lengths and sizes.
Scratches	No scratches	Visual contact	
Unground oxidation film	No unground oxidation film	Visual contact	
Nicks	No nicks	Visual contact	
Shortcorners	No shortcorners	Visual contact	
Fissures /subfissures	No fissures /subfissures	Visual contact	
Eccentricity	Eccentricity degree <0.5mm	Mould	

## English Translation for Reference Only

## CSUN Silicon Wafers (Materials) Purchase Contract

Contract No.: NPM111096Signature place: Jiangning District, Nanjing

Seller: CEEG (Nanjing) Semiconductor Co., Ltd.  
Address: No.6, Shuige Road, Jiangning Economic & Technological  
Development Zone, Nanjing  
Contact person of Contract: Zhang Yang  
Contact No.:025-52095899

Buyer: China Sunergy (Nanjing) Co., Ltd.  
Address: No.123, Focheng West Road, Jiangning Economic &  
Technological Development Zone, Nanjing  
Contact person of Contract: Liu Shijie  
Contact No.:025-52766603

On the principle of trustworthiness and mutual benefit, through sufficient negotiation, both parties conclude following contract over the matter of silicon wafer (materials) purchase on the basis of General Terms of CSUN Silicon Wafer (Materials) Purchase Contract recorded in Appendix One.

## Special terms

## -, Order

## 1, Product name, specification model, quantity, unit price, total price

Order	Product name	Specification model	Unit	Quantity	Unit price	Total price	Notes
1	Polycrystalline silicon wafer	S125/D165	Wafer	1,000,000	RMB12.7/wafer	12,700,000.00	Inc. Tax
Total in capital: Twelve million and seven hundred thousand yuan only (inc.17% VAT) in lower case:RMB12,700,000.00							

Notes: In the term of performing contract, if the market price of silicon falls, both parties may re-decide price through negotiation on the basis of market price. If negotiation doesn't work, the buyer may terminate the contract.

## 2, Seller's Delivery Term, Delivery Place and Transportation Mode

2.1 Delivery Term: The seller shall provide 1 million silicon wafers on June 3, 2011. If the seller is in short of supply, both parties may re-discuss undelivered quantity in reference to market price.

2.2 Delivery Place: Seller's factory

2.3 Transportation Mode: Automobile transportation

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### 3. Buyer's Payment Mode and Payment Time

After the contract takes effect, the buyer shall remit payment for goods to designated account of the seller 7 days after receiving goods from the seller.

## II. Modification and Supplement of General Terms

### 4. Modification

Through sufficient negotiation, both parties modify General Terms hereof as follows:

4.1 Article 1.2 of General Terms is modified as follows: The buyer is responsible for transportation, transportation fee and assurance fee.

### 5. Supplementary Provision

Through sufficient negotiation, both parties supplement General Terms hereof as follows:

5.1 The buyer shall accept 1‰ Fch. franchise of unacceptable silicon wafers.

### 6. Effectiveness and Others

6.1 The contract shall be in 2 original copies and shall take effect when both parties sign and seal it. The buyer and the seller shall hold one respectively.

6.2 The buyer and the seller shall deliver original of contract text to each other within 3 working days after the contract is signed. The effect of facsimile shall be equivalent to that of original.

6.3 The contract and its appendixes shall be indispensable parts of this contract and have seal on the perforation when they are signed. Effectiveness of special terms hereunder shall be preferential. If they aren't clearly stipulated, general terms shall be applicable to them.

6.4 For anything unmentioned in the contract, both parties shall negotiate otherwise and sign a supplemental agreement. The supplemental agreement shall be an effective part hereof and shall have the same legal force as this contract.

### Appendix List:

#### Appendix One: General Terms of CSUN Silicon Wafers (Materials) Purchase Contract

#### Appendix Two: Silicon Wafers (Materials) Acceptance and Inspection Standard

<b>Buyer:</b> China Sunergy (Nanjing) Co., Ltd. /seal/ China Sunergy (Nanjing) Co., Ltd.	<b>Seller:</b> CEEG (Nanjing) Semiconductor Co., Ltd. /seal/ CEEG (Nanjing) Semiconductor Co., Ltd.
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(Seal)

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(Seal)

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(Signature of authorized representative)

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(Signature of authorized representative)

Date of signature: June 7, 2011

Date of signature: YY/MM/DD



## Appendix One:

**General Terms of CSUN Silicon Wafers (Materials) Purchase Contract**

## Special Explanations

**1. General Terms recorded in this appendix shall be an important part of silicon materials (wafers) purchase contract of China Sunergy (Nanjing) Co., Ltd. Special terms in details and revision, modification and supplement of General Terms shall be indicated in the contract signed by both parties. Unless there are special provisions otherwise in the contract, the contract indicated in the appendix shall be the only basis defining rights and obligations of both parties hereof;**

**2. The seller is well informed of the meaning of every term indicated in General Terms indicated in the appendix, sufficiently understands and knows the meaning of every term of and rights, obligations and responsibilities of every item of them.**

**3. Both parties hereof shall be in a status of equal market principals, they shall both give sufficient negotiation in any content of General Terms and make modification and supplement in the contract. Therefore, no understanding is given to the format article indicated in General Terms of this appendix and unilaterally provided by China Sunergy (Nanjing) Co., Ltd., and no interpretation is given against China Sunergy (Nanjing) Co., Ltd..**

**1. Goods Packing, Transportation, Insurance and Risk Transfer**

1.1 The seller needs to provide goods packing according to the standard of product safety transportation requirements, and shall bear responsibility of loss caused by improper packing.

1.2 The seller shall be responsible for transporting goods to the factory of buyer in a reasonable mode, and assuming transportation fee, insurance fee and risks of goods in transit.

1.3 The ownership and risks of goods hereunder shall be transferred when the goods are delivered to designated place of the factory of buyer.

**2. Quality Standard, Quantity and Quality Inspection, Objection and Treatment**

2.1 Quality standard shall confirm to production demand of the buyer, details of indicators and requirements, see Appendix Two: Silicon Wafers (Materials) Acceptance and Inspection Standard

2.2 Preliminary Acceptance: Within 10 days from the date goods arrive at the factory of buyer, the buyer shall finish quantity and appearance and quality inspection and preliminary electrical performance test on the basis of standards stipulated by the contract.

2.3 Internal Quality Inspection: The buyer shall finish internal quality inspection within 30 days from the date goods arrive at its factory. The buyer shall take a random selection of 10% goods which have passed preliminary acceptance for preproduction. The buyer produces Preproduction Report according to the result of preproduction; the report shall be conclusion of final inspection and acceptance standard recognized by both parties.

2.4 If any problem involved with quantity, appearance or internal quality is discovered, the buyer shall bring up objection within 30 days from the date goods arrive at the factory. If no objection is brought up in above-mentioned period, it shall be deemed products of the seller are acceptable.

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2.5 If products delivered by the seller don't confirm to provisions of the contract, both parties may negotiate price reduction; if negotiation doesn't work, the seller shall be entitled to make following choice:

- a. Returning products and requiring the seller to return payment; or
- b. Replacing unacceptable products with acceptable products.

The seller shall come to the buyer's factory to accept returned goods and return payment or replace goods within 3 days from the date it receives a written notice of the buyer.

### **3. Tax Invoice**

The seller is responsible for providing the buyer with VAT invoice in full of 17% tax rate within 10 days after delivery. If the seller doesn't provide VAT invoice within 30 days after delivery, which causes losses of the buyer, the seller shall assume the responsibility of damage and compensation for resulting losses.

### **4. Liability for Breach of Contract and Contract Termination**

- 4.1 Delay breach: When one party delays performance of delivery (including delay with return and replacement), return of payment or payment obligation, it shall pay liquidated damages for delay to the other party at 0.05% value of unperformed part every day.
- 4.2 Fundamental breach: If the seller delays delivery (including delay with return and replacement), and still doesn't perform it after 7 days, it shall be deemed that it can't perform delivery and the buyer shall be entitled to notify the seller of dissolving the contract (or unperformed part of the contract). The seller shall return the payment sent or the payment for untimely delivery of goods to the buyer within 3 days from the date it receives a notice of contract dissolution in writing from the buyer and pay liquidated damages at 20% value of undelivered goods of the contract.

### **5. Contract Transfer and Contract Confidentiality**

- 5.1 Without a written approval of the other party, neither party hereof may transfer all or part of rights or obligations hereunder.
- 5.2 The buyer and the seller and their employees, agents, representatives or consultants shall all deem this contract and all articles and conditions of any supplemental agreement as business secrets. Without a written approval of the other party, they must not disclose them to the third party. In case of violation, the breaching party shall assume liability for damage and compensation for all direct losses and indirect losses caused to the other party hereby.

### **6. Force Majeure**

If one party or both parties hereof can't perform the contract due to force majeure, the party in case of force majeure shall notify the other party in writing within 7 days from the date of occurrence of force majeure and submit a written certificate document of local notarial institution within 15 days. If force majeure occurs within the period of delay performance of contract obligations, the affected party must not take force majeure as reason for removing or alleviating its liability for breach. The term of objections and notice (excluding notice of force majeure event) hereunder shall be postponed due to the reason of force majeure. If the duration time of force majeure exceeds 60 days or during the period of force majeure the market price fluctuates over  $\pm 5\%$ , both parties shall be entitled to re-discuss the price or give a written notice of contract dissolution.

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## 7. Applicable Laws and Dispute Solution

- 7.1 The contract shall be concluded, interpreted and performed on the basis of laws of the People's Republic of China.
- 7.2 All disputes resulting from reasons such as effectiveness, performance and interpretation of the contract shall be negotiated friendly. If negotiation doesn't work, either party may file a lawsuit. Both parties agree the disputes are under the jurisdiction of people's court in the local place where the buyer is. Related expenses paid for lawsuit (including attorney fee, business trip fee, evidence obtaining fee, notarial fee, lawsuit fee, etc) shall be all borne by the losing party.

## 8. Miscellaneous

- 8.1 No Commercial Bribery and Non-competition: Either party and its staff must not provide improper interests directly, indirectly or by any other disguised method in the name of any person, or engage with staff (including any third person introduced) of the other party in transaction similar to the contract in any mode. In case of violation, it shall be deemed as infringement on the interests of the other party, and the breaching party shall assume liquidated damages at 20% total amount of the contract (the total shall not exceed RMB 1 million). If above-mentioned liquidated damages are not sufficient for compensating for direct or indirect losses caused to the other party hereby, the breaching party also shall assume corresponding liability for damage. The buyer's information of reports against corruption Monitoring Committee of China Sunergy (Nanjing) Co., Ltd., fax: 025-52766726. Email: [JC@chinasunergy.com](mailto:JC@chinasunergy.com)
- 8.2 No Commercial Fraud: If the seller provides the buyer with false registration data, qualification certificate, information or hide facts and truth against the principle of honesty and trustworthiness so as to cheat the buyer or final user, it shall assume liquidated damages of 20% contract amount to the buyer (the total shall not exceed RMB 1 million).
- 8.3 Above-mentioned provision on the quota of liquidated damages in the article doesn't affect the liability for breach the breaching party shall assume according to other articles.
- 8.4 Mode of Notice: All notices and objections hereunder shall be sent by fax or express. If they are sent by fax, the date of sending shall be deemed as the date of receiving; if they are sent by express, the 5th date after express is sent shall be deemed as the date of receiving.

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### Silicon Wafers (Materials) Acceptance and Inspection Standard

**1. Aim:** Regulating inspection process of silicon wafers of China Sunergy (Nanjing) Co., Ltd., guaranteeing and sustainably improving product quality.

**2. Scope:** Used for incoming inspection process of China Sunergy (Nanjing) Co., Ltd.

**3. Responsibility:** The quality center is responsible for the work of incoming inspection of silicon wafers in strict compliance with this standard.

#### 4. Content

**4.1 Metal impurity and carbon and oxygen content standard if silicon wafers, see Table 1.**

**Table 1 Metal impurity concentration and carbon and oxygen content in silicon wafers**

Impurity categories	Impurity content of basic total metal (Fe, Cr, Ni, Cu), ppba	Impurity content of apparent total metal (Fe,Zn, Na), ppba	Oxygen (atoms/cm <sup>3</sup> )	Carbon (atoms/cm <sup>3</sup> )
Impurity content (Mono-crystalline N-type)	≤50	≤70	≤9×10 <sup>17</sup>	≤5×10 <sup>16</sup>
Impurity content (Mono-crystalline P-type)	≤50	≤70	≤9×10 <sup>17</sup>	≤5×10 <sup>16</sup>
Impurity content (Polycrystalline P-type)	≤50	≤70	≤3×10 <sup>17</sup>	≤5×10 <sup>17</sup>

**4.2 Inspection Method of Silicon Water:**

Inspection item		Inspection level	AQL %
Conductive type		II	1
Resistivity			1
Thickness			1
TTV			1
BOW			1
Appearance	Indents		1
	Chips		1
	Saw marks		1
	Stress		1
	Cracks		1
	Else		1

#### 4.2 P-type mono-crystalline silicon wafer inspection standard, see Table 2

**Table 2 P-type mono-crystalline silicon wafer inspection standard**

Inspection item	Acceptable standard	Inspection method	Explanations
Conductive type	P-type	Cold-heat probe testing instrument	
Resistivity ( $\Omega\cdot\text{cm}$ )	1-3/3-6	Four-point probe testing instrument	
Heterogeneous degree of radial resistivity	RRV<25%	Four-point probe testing instrument	
Square size (mm)	125 $\pm$ 0.5 156 $\pm$ 0.5	Digital Calipers	
Diagonal line (mm)	150 $\pm$ 1/ 165 $\pm$ 1 200 $\pm$ 1/ 205 $\pm$ 1	Digital Calipers	
Circular arc length (mm)	27.77-32.20/10.40-14.11 19.93-23.80/14.43-18.16	Mould	
Square wafer angle	90 $\circ$ $\pm$ 0.3 $\circ$	Angle rule	
Thickness (mm)	200 $\pm$ 20	Digital micrometer or wafer inspection machine of silicon wafers	1. The average thickness of silicon wafers is 200 micrometers  2. All thickness in the surface of silicon wafers shall be within the stipulated scope and the thinnest shall not be less than 180 micrometers;  3. The thickness of silicon wafers of the same batch shall be shown in normal distribution, namely, the mean value of measuring data shall be within the scope of stipulated thickness. Under the condition that apparent thickness of silicon wafer is guaranteed, five-point (central point and four points 6mm away from surrounding rims) test is conducted in the surface of silicon wafer to get TTV by conversion.
Heterogeneous degree of thickness	TTV $\leq$ 30	Digital micrometer	
Dislocation density (piece/cm <sup>2</sup> )	<1000	Guarantee of supplier	
Lifetime of effective current carrier	> 1.35 $\mu\text{s}$ , and > 1.4 $\mu\text{s}$ accounting for above 90%	WT-1000 minority carrier lifetime tester	



Body minority carrier lifetime	>15us	SINTON minority carrier lifetime tester	Post-diffusion test
Photoinduced attenuation	LID≤3%	Preproduction process validation	
Loudness of the center of silicon wafer (black-center wafer)	Percentage <0.05%	Preproduction process validation	
BOW(um)	≤40	Filler gauge	
Saw marks	No noticeable saw marks	Handheld roughness tester	Allowable saw mark depth≤10um
Indents	No indents	Visual contact	The surface of silicon wafer is smooth. No silicon falling
Perforating	No perforating	Visual contact	
Contamination	No contamination	Visual contact	Visible greasy dirt, silica powder, cleaning agent, drop marks are prohibited.
Chips	No chips	Visual contact	
Stress	No stress	Feel	When silicon wafer is lightly shaken in the hand, it can't give out noise.
Twin crystal	No twin crystal	Visual contact	Seen from appearance, there are two and more crystals.
Scratches	No scratches	Visual contact	Only if there are obviously visual scratches from foreign matters in the surface of silicon wafers, they are unacceptable regardless of their lengths and sizes.
Unground oxidation film	No unground oxidation film	Visual contact	
Nicks	No nicks	Visual contact	
Shortcorners	No shortcorners	Visual contact	
Fissures /subfissures	No fissures /subfissures	Visual contact	
Eccentricity	Eccentricity degree >0.5mm	Mould	

### 4.3 P-type Polycrystalline silicon wafer inspection standard, see Table 3

**Table 3 P-type Polycrystalline silicon wafer inspection standard**

Inspection item	Acceptable standard	Inspection method	Explanations
Conductive type	P-type	Cold-heat probe testing instrument	
Resistivity ( $\Omega\cdot\text{cm}$ )	1-3/3-6	Four-point probe testing instrument	
Heterogeneous degree of radial resistivity	RRV<25%	Four-point probe testing instrument	
Square size (mm)	125 $\pm$ 0.5 156 $\pm$ 0.5	Digital Calipers	
Diagonal line (mm)	175 $\pm$ 1 219 $\pm$ 1	Digital Calipers	
Chamfer(mm)	1 $\times$ 45°	Mould	
Square wafer angle	90 $\pm$ 0.3°	Angle rule	
Thickness (mm)	200 $\pm$ 20	Digital micrometer or wafer inspection machine of silicon wafers	1. The average thickness of silicon wafers is 200 micrometers 2. All thickness in the surface of silicon wafers shall be within the stipulated scope and the thinnest shall not be less than 180 micrometers;
Heterogeneous degree of thickness	TTV $\leq$ 30	Digital micrometer	3. The thickness of silicon wafers of the same batch shall be shown in normal distribution, namely, the mean value of measuring data shall be within the scope of stipulated thickness. Under the condition that apparent thickness of silicon wafer is guaranteed, five-point (central point and four points 6mm away from surrounding rims) test is conducted in the surface of silicon wafer to get TTV by conversion.



Lifetime of effective current carrier	>1.35us , and > 1.4us accounting for above 90%	WT-1000 minority carrier lifetime tester	
Body minority carrier lifetime	>2us	SINTON minority carrier lifetime tester	Post-diffusion test
Photoinduced attenuation	LID≤2%	Preproduction process validation	
BOW (um)	≤40	Filler gauge	
Microcrystal	Within the length of 1 cm≤5 crystalline grains	Visual contact	Any side on the surface of silicon wafer
Obvious indents	No noticeable saw marks	Handheld roughness tester	Allowable shear mark depth≤10um
Indents	No indents	Visual contact	The surface of silicon wafer is smooth. No silicon falling
Perforating	No perforating	Visual contact	
Contamination	No contamination	Visual contact	Visible greasy dirt, silica powder, cleaning agent, drop marks are prohibited.
Chips	No chips	Visual contact	
Stress	No stress	Feel	When silicon wafer is lightly shaken in the hand, it can't give out noise.
Scratches	No scratches	Visual contact	Only if there are obviously visual scratches from foreign matters in the surface of silicon wafers, they are unacceptable regardless of their lengths and sizes.
Nicks	No nicks	Visual contact	
Shortcorners	No shortcorners	Visual contact	
Fissures /subfissures	No fissures /subfissures	Visual contact	



#### 4.4 N-type mono-crystalline silicon wafer inspection standard, see Table 4.

**Table 4 N-type mono-crystalline silicon wafer inspection standard**

Inspection item	Acceptable standard	Inspection method	Explanations
Conductive type	N-type	Cold-heat probe testing instrument	<p>1. The average thickness of silicon wafers is 200 micrometers</p> <p>2. All thickness in the surface of silicon wafers shall be within the stipulated scope and the thinnest shall not be less than 180 micrometers;</p> <p>3. The thickness of silicon wafers of the same batch shall be shown in normal distribution, namely, the mean value of measuring data shall be within the scope of stipulated thickness.</p> <p>Under the condition that apparent thickness of silicon wafer is guaranteed, five-point (central point and four points 6mm away from surrounding rims) test is conducted in the surface of silicon wafer to get TTV by conversion.</p>
Resistivity ( $\Omega\cdot\text{cm}$ )	1-3/3-6	Four-point probe testing instrument	
Heterogeneous degree of radial resistivity	RRV<25%	Four-point probe testing instrument	
Square size (mm)	125 $\pm$ 0.5 156 $\pm$ 0.5	Digital Calipers	
Diagonal line (mm)	165 $\pm$ 1 200 $\pm$ 1/ 205 $\pm$ 1	Digital Calipers	
Circular arc length (mm)	10.40-14.11 19.93-23.80/14.43-18.16	Mould	
Square wafer angle	90 $\circ$ $\pm$ 0.3 $\circ$	Angle rule	
Thickness (mm)	200 $\pm$ 20	Digital micrometer or wafer inspection machine of silicon wafers	
Heterogeneous degree of thickness	TTV $\leq$ 30	Digital micrometer	
Dislocation density (piece/cm <sup>2</sup> )	None	Guarantee of supplier	



Body minority carrier lifetime	>1000us	SINTON minority carrier lifetime tester	Post-diffusion test
Photoinduced attenuation	LID≤0.5%	Preproduction process validation	
Loudness of the center of silicon wafer (black-center wafer)	Percentage <0.05%	Preproduction process validation	
BOW (um)	≤40	Filler gauge	
Saw marks	No noticeable saw marks	Handheld roughness tester	Allowable saw mark depth≤10um
Indents	No indents	Visual contact	The surface of silicon wafer is smooth. No silicon falling
Perforating	No perforating	Visual contact	
Contamination	No contamination	Visual contact	Visible greasy dirt, silica powder, cleaning agent, drop marks are prohibited.
Chips	No chips	Visual contact	
Stress	No stress	Feel	When silicon wafer is lightly shaken in the hand, it can't give out noise.
Twin crystal	No twin crystal	Visual contact	Seen from appearance, there are two and more crystals.
Scratches	No scratches	Visual contact	Only if there are obviously visual scratches from foreign matters in the surface of silicon wafers, they are unacceptable regardless of their lengths and sizes.
Unground oxidation film	No unground oxidation film	Visual contact	
Nicks	No nicks	Visual contact	
Shortcorners	No shortcorners	Visual contact	
Fissures /subfissures	No fissures /subfissures	Visual contact	
Eccentricity	Eccentricity degree <0.5mm	Mould	

## English Translation for Reference Only

## CSUN Silicon Wafers (Materials) Purchase Contract

Contract No.: NPM111105Signature place: Jiangning District, Nanjing

Seller: CEEG (Nanjing) Semiconductor Co., Ltd.  
Address: No.6, Shuige Road, Jiangning Economic & Technological  
Development Zone, Nanjing  
Contact person of Contract: Zhang Yang  
Contact No.:025-52095899

Buyer: China Sunergy (Nanjing) Co., Ltd.  
Address: No.123, Focheng West Road, Jiangning Economic &  
Technological Development Zone, Nanjing  
Contact person of Contract: Liu Shijie  
Contact No.:025-52766603

On the principle of trustworthiness and mutual benefit, through sufficient negotiation, both parties conclude following contract over the matter of silicon wafer (materials) purchase on the basis of General Terms of CSUN Silicon Wafer (Materials) Purchase Contract recorded in Appendix One.

## Special terms

## -. Order

## 1. Product name, specification model, quantity, unit price, total price

Order	Product name	Specification model	Unit	Quantity	Unit price	Total price	Notes
1	Polycrystalline silicon wafer	M156	Wafer	1,000,000	RMB15/wafer	15,000,000	Inc. Tax
Total in capital: Fifteen million yuan only (inc.17% VAT)in lower case:RMB15,000,000.00							

Notes: In the term of performing contract, if the market price of silicon falls, both parties may re-decide price through negotiation on the basis of market price. If negotiation doesn't work, the buyer may terminate the contract.

## 2. Seller's Delivery Term, Delivery Place and Transportation Mode

2.1 Delivery Term: The seller provides 500 thousand wafers on June 17, 2011 and 500 thousand wafers on June 21.If the seller is in short of supply, both parties may re-discuss undelivered quantity in reference to market price.

2.2 Delivery Place: Seller's factory

2.3 Transportation Mode: Automobile transportation



### 3. Buyer's Payment Mode and Payment Time

After the contract takes effect, the buyer shall remit payment for goods to designated account of the seller 7 days after receiving goods from the seller.

## II. Modification and Supplement of General Terms

### 4. Modification

Through sufficient negotiation, both parties modify General Terms hereof as follows:

4.1 Article 1.2 of General Terms is modified as follows: The buyer is responsible for transportation, transportation fee and assurance fee.

### 5. Supplementary Provision

Through sufficient negotiation, both parties supplement General Terms hereof as follows:

5.1 The buyer shall accept 1% Fch. franchise of unacceptable silicon wafers.

### 6. Effectiveness and Others

6.1 The contract shall be in 2 original copies and shall take effect when both parties sign and seal it. The buyer and the seller shall hold one respectively.

6.2 The buyer and the seller shall deliver original of contract text to each other within 3 working days after the contract is signed. The effect of facsimile shall be equivalent to that of original.

6.3 The contract and its appendixes shall be indispensable parts of this contract and have seal on the perforation when they are signed. Effectiveness of special terms hereunder shall be preferential. If they aren't clearly stipulated, general terms shall be applicable to them.

6.4 For anything unmentioned in the contract, both parties shall negotiate otherwise and sign a supplemental agreement. The supplemental agreement shall be an effective part hereof and shall have the same legal force as this contract.

### Appendix List:

#### Appendix One: General Terms of CSUN Silicon Wafers (Materials) Purchase Contract

#### Appendix Two: Silicon Wafers (Materials) Acceptance and Inspection Standard

**Buyer:**

China Sunergy (Nanjing) Co., Ltd.  
/seal/ China Sunergy (Nanjing) Co., Ltd.

**Seller:**

CEEG (Nanjing) Semiconductor Co., Ltd.  
/seal/ CEEG (Nanjing) Semiconductor Co., Ltd.

\_\_\_\_\_  
(Seal)

\_\_\_\_\_  
(Seal)

\_\_\_\_\_  
(Signature of authorized representative)

\_\_\_\_\_  
(Signature of authorized representative)

Date of signature: June 23, 2011

Date of signature: YY/MM/D

## Appendix One:

**General Terms of CSUN Silicon Wafers (Materials) Purchase Contract**

## Special Explanations

**1. General Terms recorded in this appendix shall be an important part of silicon materials (wafers) purchase contract of China Sunergy (Nanjing) Co., Ltd. Special terms in details and revision, modification and supplement of General Terms shall be indicated in the contract signed by both parties. Unless there are special provisions otherwise in the contract, the contract indicated in the appendix shall be the only basis defining rights and obligations of both parties hereof;**

**2. The seller is well informed of the meaning of every term indicated in General Terms indicated in the appendix, sufficiently understands and knows the meaning of every term of and rights, obligations and responsibilities of every item of them.**

**3. Both parties hereof shall be in a status of equal market principals, they shall both give sufficient negotiation in any content of General Terms and make modification and supplement in the contract. Therefore, no understanding is given to the format article indicated in General Terms of this appendix and unilaterally provided by China Sunergy (Nanjing) Co., Ltd., and no interpretation is given against China Sunergy (Nanjing) Co., Ltd..**

**1. Goods Packing, Transportation, Insurance and Risk Transfer**

- 1.1 The seller needs to provide goods packing according to the standard of product safety transportation requirements, and shall bear responsibility of loss caused by improper packing.
- 1.2 The seller shall be responsible for transporting goods to the factory of buyer in a reasonable mode, and assuming transportation fee, insurance fee and risks of goods in transit.
- 1.3 The ownership and risks of goods hereunder shall be transferred when the goods are delivered to designated place of the factory of buyer.

**2. Quality Standard, Quantity and Quality Inspection, Objection and Treatment**

- 2.1 Quality standard shall confirm to production demand of the buyer, details of indicators and requirements, see Appendix Two: Silicon Wafers (Materials) Acceptance and Inspection Standard
- 2.2 Preliminary Acceptance: Within 10 days from the date goods arrive at the factory of buyer, the buyer shall finish quantity and appearance and quality inspection and preliminary electrical performance test on the basis of standards stipulated by the contract.
- 2.3 Internal Quality Inspection: The buyer shall finish internal quality inspection within 30 days from the date goods arrive at its factory. The buyer shall take a random selection of 10% goods which have passed preliminary acceptance for preproduction. The buyer produces Preproduction Report according to the result of preproduction; the report shall be conclusion of final inspection and acceptance standard recognized by both parties.
- 2.4 If any problem involved with quantity, appearance or internal quality is discovered, the buyer shall bring up objection within 30 days from the date goods arrive at the factory. If no objection is brought up in above-mentioned period, it shall be deemed products of the seller are acceptable.

2.5 If products delivered by the seller don't confirm to provisions of the contract, both parties may negotiate price reduction; if negotiation doesn't work, the seller shall be entitled to make following choice:

- a. Returning products and requiring the seller to return payment; or
- b. Replacing unacceptable products with acceptable products.

The seller shall come to the buyer's factory to accept returned goods and return payment or replace goods within 3 days from the date it receives a written notice of the buyer.

### **3. Tax Invoice**

The seller is responsible for providing the buyer with VAT invoice in full of 17% tax rate within 10 days after delivery. If the seller doesn't provide VAT invoice within 30 days after delivery, which causes losses of the buyer, the seller shall assume the responsibility of damage and compensation for resulting losses.

### **4. Liability for Breach of Contract and Contract Termination**

- 4.1 Delay breach: When one party delays performance of delivery (including delay with return and replacement), return of payment or payment obligation, it shall pay liquidated damages for delay to the other party at 0.05% value of unperformed part every day.
- 4.2 Fundamental breach: If the seller delays delivery (including delay with return and replacement), and still doesn't perform it after 7 days, it shall be deemed that it can't perform delivery and the buyer shall be entitled to notify the seller of dissolving the contract (or unperformed part of the contract). The seller shall return the payment sent or the payment for untimely delivery of goods to the buyer within 3 days from the date it receives a notice of contract dissolution in writing from the buyer and pay liquidated damages at 20% value of undelivered goods of the contract.

### **5. Contract Transfer and Contract Confidentiality**

- 5.1 Without a written approval of the other party, neither party hereof may transfer all or part of rights or obligations hereunder.
- 5.2 The buyer and the seller and their employees, agents, representatives or consultants shall all deem this contract and all articles and conditions of any supplemental agreement as business secrets. Without a written approval of the other party, they must not disclose them to the third party. In case of violation, the breaching party shall assume liability for damage and compensation for all direct losses and indirect losses caused to the other party hereby.

### **6. Force Majeure**

If one party or both parties hereof can't perform the contract due to force majeure, the party in case of force majeure shall notify the other party in writing within 7 days from the date of occurrence of force majeure and submit a written certificate document of local notarial institution within 15 days. If force majeure occurs within the period of delay performance of contract obligations, the affected party must not take force majeure as reason for removing or alleviating its liability for breach. The term of objections and notice (excluding notice of force majeure event) hereunder shall be postponed due to the reason of force majeure. If the duration time of force majeure exceeds 60 days or during the period of force majeure the market price fluctuates over  $\pm 5\%$ , both parties shall be entitled to re-discuss the price or give a written notice of contract dissolution.

## 7. Applicable Laws and Dispute Solution

- 7.1 The contract shall be concluded, interpreted and performed on the basis of laws of the People's Republic of China.
- 7.2 All disputes resulting from reasons such as effectiveness, performance and interpretation of the contract shall be negotiated friendly. If negotiation doesn't work, either party may file a lawsuit. Both parties agree the disputes are under the jurisdiction of people's court in the local place where the buyer is. Related expenses paid for lawsuit (including attorney fee, business trip fee, evidence obtaining fee, notarial fee, lawsuit fee, etc) shall be all borne by the losing party.

## 8. Miscellaneous

- 8.1 No Commercial Bribery and Non-competition: Either party and its staff must not provide improper interests directly, indirectly or by any other disguised method in the name of any person, or engage with staff (including any third person introduced) of the other party in transaction similar to the contract in any mode. In case of violation, it shall be deemed as infringement on the interests of the other party, and the breaching party shall assume liquidated damages at 20% total amount of the contract (the total shall not exceed RMB 1 million). If above-mentioned liquidated damages are not sufficient for compensating for direct or indirect losses caused to the other party hereby, the breaching party also shall assume corresponding liability for damage. The buyer's information of reports against corruption Monitoring Committee of China Sunergy (Nanjing) Co., Ltd., fax: 025-52766726. Email: [JC@chinasunergy.com](mailto:JC@chinasunergy.com)
- 8.2 No Commercial Fraud: If the seller provides the buyer with false registration data, qualification certificate, information or hide facts and truth against the principle of honesty and trustworthiness so as to cheat the buyer or final user, it shall assume liquidated damages of 20% contract amount to the buyer (the total shall not exceed RMB 1 million).
- 8.3 Above-mentioned provision on the quota of liquidated damages in the article doesn't affect the liability for breach the breaching party shall assume according to other articles.
- 8.4 Mode of Notice: All notices and objections hereunder shall be sent by fax or express. If they are sent by fax, the date of sending shall be deemed as the date of receiving; if they are sent by express, the 5th date after express is sent shall be deemed as the date of receiving.

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### Silicon Wafers (Materials) Acceptance and Inspection Standard

**1. Aim:** Regulating inspection process of silicon wafers of China Sunergy (Nanjing) Co., Ltd., guaranteeing and sustainably improving product quality.

**2. Scope:** Used for incoming inspection process of China Sunergy (Nanjing) Co., Ltd.

**3. Responsibility:** The quality center is responsible for the work of incoming inspection of silicon wafers in strict compliance with this standard.

#### 4. Content

**4.1 Metal impurity and carbon and oxygen content standard if silicon wafers, see Table 1.**

**Table 1 Metal impurity concentration and carbon and oxygen content in silicon wafers**

Impurity categories	Impurity content of basic total metal (Fe, Cr, Ni, Cu), ppba	Impurity content of apparent total metal (Fe,Zn, Na), ppba	Oxygen ( atoms/cm <sup>3</sup> )	Carbon ( atoms/cm <sup>3</sup> )
Impurity content (Mono-crystalline N-type)	≤50	≤70	≤9×10 <sup>17</sup>	≤5×10 <sup>16</sup>
Impurity content (Mono-crystalline P-type)	≤50	≤70	≤9×10 <sup>17</sup>	≤5×10 <sup>16</sup>
Impurity content (Polycrystalline P-type)	≤50	≤70	≤3×10 <sup>17</sup>	≤5×10 <sup>17</sup>

#### 4.2 Inspection Method of Silicon Water:

Inspection item		Inspection level	AQL %
Conductive type		II	1
Resistivity			1
Thickness			1
TTV			1
BOW			1
Appearance	Indents		1
	Chips		1
	Saw marks		1
	Stress		1
	Cracks		1
	Else		1



## 4.2 P-type mono-crystalline silicon wafer inspection standard, see Table 2

**Table 2 P-type mono-crystalline silicon wafer inspection standard**

Inspection item	Acceptable standard	Inspection method	Explanations
Conductive type	P-type	Cold-heat probe testing instrument	
Resistivity( $\Omega\cdot\text{cm}$ )	1-3/3-6	Four-point probe testing instrument	
Heterogeneous degree of radial resistivity	RRV<25%	Four-point probe testing instrument	
Square size (mm)	125 $\pm$ 0.5 156 $\pm$ 0.5	Digital Calipers	
Diagonal line (mm)	150 $\pm$ 1/ 165 $\pm$ 1 200 $\pm$ 1/ 205 $\pm$ 1	Digital Calipers	
Circular arc length (mm)	27.77-32.20/10.40-14.11 19.93-23.80/14.43-18.16	Mould	
Square wafer angle	90 $\circ$ $\pm$ 0.3 $\circ$	Angle rule	
Thickness (mm)	200 $\pm$ 20	Digital micrometer or wafer inspection machine of silicon wafers	1. The average thickness of silicon wafers is 200 micrometers 2. All thickness in the surface of silicon wafers shall be within the stipulated scope and the thinnest shall not be less than 180 micrometers; 3. The thickness of silicon wafers of the same batch shall be shown in normal distribution, namely, the mean value of measuring data shall be within the scope of stipulated thickness.
Heterogeneous degree of thickness	TTV $\leq$ 30	Digital micrometer	Under the condition that apparent thickness of silicon wafer is guaranteed, five-point (central point and four points 6mm away from surrounding rims) test is conducted in the surface of silicon wafer to get TTV by conversion.
Dislocation density (piece/cm <sup>2</sup> )	<1000	Guarantee of supplier	
Lifetime of effective current carrier	> 1.35us ,and >1.4us accounting for above 90%	WT-1000 minority carrier lifetime tester	
Body minority carrier lifetime	>15us	SINTON minority carrier lifetime tester	Post-diffusion test
Photoinduced attenuation	LID $\leq$ 3%	Preproduction process validation	
Loudness of the center of silicon wafer (black-center wafer)	Percentage <0.05%	Preproduction process validation	



Silicon Wafers (Materials) Acceptance and Inspection Standard  
Q/CSUN.J07.002V1.3

BOW(um)	≤40	Filler gauge	
Saw marks	No noticeable saw marks	Handheld roughness tester	Allowable saw mark depth≤10um
Indents	No indents	Visual contact	The surface of silicon wafer is smooth. No silicon falling
Perforating	No perforating	Visual contact	
Contamination	No contamination	Visual contact	Visible greasy dirt, silica powder, cleaning agent, drop marks are prohibited.
Chips	No chips	Visual contact	
Stress	No stress	Feel	When silicon wafer is lightly shaken in the hand, it can't give out noise.
Twin crystal	No twin crystal	Visual contact	Seen from appearance, there are two and more crystals.
Scratches	No scratches	Visual contact	Only if there are obviously visual scratches from foreign matters in the surface of silicon wafers, they are unacceptable regardless of their lengths and sizes.
Unground oxidation film	No unground oxidation film	Visual contact	
Nicks	No nicks	Visual contact	
Shortcorners	No shortcorners	Visual contact	
Fissures /subfissures	No fissures /subfissures	Visual contact	
Eccentricity	Eccentricity degree < 0.5mm	Mould	

### 4.3 P-type Polycrystalline silicon wafer inspection standard, see Table 3

**Table 3 P-type Polycrystalline silicon wafer inspection standard**

Inspection item	Acceptable standard	Inspection method	Explanations
Conductive type	P-type	Cold-heat probe testing instrument	
Resistivity( $\Omega\cdot\text{cm}$ )	1-3/3-6	Four-point probe testing instrument	
Heterogeneous degree of radial resistivity	RRV<25%	Four-point probe testing instrument	
Square size (mm)	125 $\pm$ 0.5 156 $\pm$ 0.5	Digital Calipers	
Diagonal line (mm)	175 $\pm$ 1 219 $\pm$ 1	Digital Calipers	
Chamfer(mm)	1 $\times$ 45°	Mould	
Square wafer angle	90 $\pm$ 0.3°	Angle rule	
Thickness (mm)	200 $\pm$ 20	Digital micrometer or wafer inspection machine of silicon wafers	1. The average thickness of silicon wafers is 200 micrometers 2. All thickness in the surface of silicon wafers shall be within the stipulated scope and the thinnest shall not be less than 180 micrometers; 3. The thickness of silicon wafers of the same batch shall be shown in normal distribution, namely, the mean value of measuring data shall be within the scope of stipulated thickness.
Heterogeneous degree of thickness	TTV $\leq$ 30	Digital micrometer	Under the condition that apparent thickness of silicon wafer is guaranteed, five-point (central point and four points 6mm away from surrounding rims) test is conducted in the surface of silicon wafer to get TTV by conversion.
Lifetime of effective current carrier	> 1.35 $\mu\text{s}$ , and > 1.4 $\mu\text{s}$ accounting for above 90%	WT-1000 minority carrier lifetime tester	
Body minority carrier lifetime	>2 $\mu\text{s}$	SINTON minority carrier lifetime tester	Post-diffusion test
Photoinduced attenuation	LID $\leq$ 2%	Preproduction process validation	



Silicon Wafers (Materials) Acceptance and Inspection Standard  
Q/CSUN.J07.002V1.3

BOW (um)	≤40	Filler gauge	
Microcrystal	Within the length of 1 cm≤5 crystalline grains	Visual contact	Any side on the surface of silicon wafer
Obvious indents	No noticeable saw marks	Handheld roughness tester	Allowable saw mark depth≤10um
Indents	No indents	Visual contact	The surface of silicon wafer is smooth. No silicon falling
Perforating	No perforating	Visual contact	
Contamination	No contamination	Visual contact	Visible greasy dirt, silica powder, cleaning agent, drop marks are prohibited.
Chips	No chips	Visual contact	
Stress	No stress	Feel	When silicon wafer is lightly shaken in the hand, it can't give out noise.
Scratches	No scratches	Visual contact	Only if there are obviously visual scratches from foreign matters in the surface of silicon wafers, they are unacceptable regardless of their lengths and sizes.
Nicks	No nicks	Visual contact	
Shortcorners	No shortcorners	Visual contact	
Fissures /subfissures	No fissures /subfissures	Visual contact	

4.4 N-type mono-crystalline silicon wafer inspection standard, see Table 4.

Table 4 N-type mono-crystalline silicon wafer inspection standard

Inspection item	Acceptable standard	Inspection method	Explanations
Conductive type	N-type	Cold-heat probe testing instrument	
Resistivity ( $\Omega$ -cm)	1-3/3-6	Four-point probe testing instrument	
Heterogeneous degree of radial resistivity	RRV<25%	Four-point probe testing instrument	
Square size (mm)	125 $\pm$ 0.5 156 $\pm$ 0.5	Digital Calipers	
Diagonal line (mm)	165 $\pm$ 1 200 $\pm$ 1/ 205 $\pm$ 1	Digital Calipers	
Circular arc length (mm)	10.40-14.11 19.93-23.80/14.43-18.16	Mould	
Square wafer angle	90 $\circ$ $\pm$ 0.3 $\circ$	Angle rule	
Thickness (mm)	200 $\pm$ 20	Digital micrometer or wafer inspection machine of silicon wafers	1. The average thickness of silicon wafers is 200 micrometers 2. All thickness in the surface of silicon wafers shall be within the stipulated scope and the thinnest shall not be less than 180 micrometers; 3. The thickness of silicon wafers of the same batch shall be shown in normal distribution, namely, the mean value of measuring data shall be within the scope of stipulated thickness.

Heterogeneous degree of thickness	TTV $\leq$ 30	Digital micrometer	Under the condition that apparent thickness of silicon wafer is guaranteed, five-point (central point and four points 6mm away from surrounding rims) test is conducted in the surface of silicon wafer to get TTV by conversion.
Dislocation density (piece/cm <sup>2</sup> )	None	Guarantee of supplier	
Body minority carrier lifetime	>1000us	SINTON minority carrier lifetime tester	Post-diffusion test
Photoinduced attenuation	LID $\leq$ 0.5%	Preproduction process validation	
Loudness of the center of silicon wafer (black-center wafer)	Percentage <0.05%	Preproduction process validation	
BOW (um)	$\leq$ 40	Filler gauge	
Saw marks	No noticeable saw marks	Handheld roughness tester	Allowable saw mark depth $\leq$ 10um
Indents	No indents	Visual contact	The surface of silicon wafer is smooth. No silicon falling
Perforating	No perforating	Visual contact	
Contamination	No contamination	Visual contact	Visible greasy dirt, silica powder, cleaning agent, drop marks are prohibited.
Chips	No chips	Visual contact	
Stress	No stress	Feel	When silicon wafer is lightly shaken in the hand, it can't give out noise.
Twin crystal	No twin crystal	Visual contact	Seen from appearance, there are two and more crystals.
Scratches	No scratches	Visual contact	Only if there are obviously visual scratches from foreign matters in the surface of silicon wafers, they are unacceptable regardless of their lengths and sizes.
Unground oxidation film	No unground oxidation film	Visual contact	
Nicks	No nicks	Visual contact	
Shortcorners	No shortcorners	Visual contact	
Fissures /subfissures	No fissures /subfissures	Visual contact	
Eccentricity	Eccentricity degree <0.5mm	Mould	

## English Translation for Reference Only

## CSUN Silicon Wafers (Materials) Purchase Contract

Contract No.: NPM111125Signature place: Jiangning District, Nanjing

Seller: CEEG (Nanjing) Semiconductor Co., Ltd.  
Address: No.6, Shuige Road, Jiangning Economic & Technological  
Development Zone, Nanjing  
Contact person of Contract: Zhang Yang  
Contact No.: 025-52095899

Buyer: China Sunergy (Nanjing) Co., Ltd.  
Address: No.123, Focheng West Road, Jiangning Economic &  
Technological Development Zone, Nanjing  
Contact person of Contract: Liu Shijie  
Contact No.: 025-52766603

On the principle of trustworthiness and mutual benefit, through sufficient negotiation, both parties conclude following contract over the matter of silicon wafer (materials) purchase on the basis of General Terms of CSUN Silicon Wafer (Materials) Purchase Contract recorded in Appendix One.

## Special terms

## I. Order

## 1. Product name, specification model, quantity, unit price, total price

Order	Product name	Specification model	Unit	Quantity	Unit price	Total price	Notes
1	Mono-crystalline silicon wafer	S156	Wafer	620,000	RMB 19.8/wafer	12,276,000.00	Inc. Tax
Total in capital: Twelve million and two hundred and seventy six thousand yuan only (inc.17% VAT) in lower case: RMB 12,276,000.00							

Notes: In the term of performing contract, if the market price of silicon falls, both parties may re-decide price through negotiation on the basis of market price. If negotiation doesn't work, the buyer may terminate the contract.

## 2. Seller's Delivery Term, Delivery Place and Transportation Mode

2.1 Delivery Term: The seller provides 620 thousand wafers on July 15, 2011. If the seller is in short of supply, both parties may re-discuss undelivered quantity in reference to market price.

2.2 Delivery Place: Seller's factory

2.3 Transportation Mode: Automobile transportation

## 3. Buyer's Payment Mode and Payment Time

After the contract takes effect, the buyer shall remit payment for goods to designated account of the seller 7 days after receiving goods from the seller.

## II. Modification and Supplement of General Terms

## 4. Modification

Through sufficient negotiation, both parties modify General Terms hereof as follows:

4.1 Article 1.2 of General Terms is modified as follows: The buyer is responsible for transportation, transportation fee and assurance fee.

**5. Supplementary Provision**

Through sufficient negotiation, both parties supplement General Terms hereof as follows:

5.1 The buyer shall accept 1% Fch. franchise of unacceptable silicon wafers.

**6. Effectiveness and Others**

6.1 The contract shall be in 2 original copies and shall take effect when both parties sign and seal it. The buyer and the seller shall hold one respectively.

6.2 The buyer and the seller shall deliver original of contract text to each other within 3 working days after the contract is signed. The effect of facsimile shall be equivalent to that of original.

6.3 The contract and its appendixes shall be indispensable parts of this contract and have seal on the perforation when they are signed. Effectiveness of special terms hereunder shall be preferential. If they aren't clearly stipulated, general terms shall be applicable to them.

6.4 For anything unmentioned in the contract, both parties shall negotiate otherwise and sign a supplemental agreement. The supplemental agreement shall be an effective part hereof and shall have the same legal force as this contract.

**Appendix List:**

**Appendix One: General Terms of CSUN Silicon Wafers(Materials) Purchase Contract**

**Appendix Two: Silicon Wafers(Materials) Acceptance and Inspection Standard**

**Buyer:**

China Sunergy (Nanjing) Co., Ltd.  
/seal/ China Sunergy (Nanjing) Co., Ltd.

**Seller:**

CEEG(Nanjing) Semiconductor Co., Ltd.  
/seal/ CEEG(Nanjing) Semiconductor Co., Ltd.

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(Seal)

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(Seal)

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(Signature of authorized representative)

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(Signature of authorized representative)

Date of signature: July 15, 2011

Date of signature: YY/MM/DD



## Appendix One:

**General Terms of CSUN Silicon Wafers(Materials) Purchase Contract****Special Explanations**

**1. General Terms recorded in this appendix shall be an important part of silicon materials (wafers) purchase contract of China Sunergy (Nanjing) Co., Ltd. Special terms in details and revision, modification and supplement of General Terms shall be indicated in the contract signed by both parties. Unless there are special provisions otherwise in the contract, the contract indicated in the appendix shall be the only basis defining rights and obligations of both parties hereof;**

**2. The seller is well informed of the meaning of every term indicated in General Terms indicated in the appendix, sufficiently understands and knows the meaning of every term of and rights, obligations and responsibilities of every item of them.**

**3. Both parties hereof shall be in a status of equal market principals, they shall both give sufficient negotiation in any content of General Terms and make modification and supplement in the contract. Therefore, no understanding is given to the format article indicated in General Terms of this appendix and unilaterally provided by China Sunergy (Nanjing) Co., Ltd., and no interpretation is given against China Sunergy (Nanjing) Co., Ltd..**

**1. Goods Packing, Transportation, Insurance and Risk Transfer**

- 1.1 The seller needs to provide goods packing according to the standard of product safety transportation requirements, and shall bear responsibility of loss caused by improper packing.
- 1.2 The seller shall be responsible for transporting goods to the factory of buyer in a reasonable mode, and assuming transportation fee, insurance fee and risks of goods in transit.
- 1.3 The ownership and risks of goods hereunder shall be transferred when the goods are delivered to designated place of the factory of buyer.

**2. Quality Standard, Quantity and Quality Inspection, Objection and Treatment**

- 2.1 Quality standard shall confirm to production demand of the buyer, details of indicators and requirements, see Appendix Two: Silicon Wafers(Materials) Acceptance and Inspection Standard
- 2.2 Preliminary Acceptance: Within 10 days from the date goods arrive at the factory of buyer, the buyer shall finish quantity and appearance and quality inspection and preliminary electrical performance test on the basis of standards stipulated by the contract.
- 2.3 Internal Quality Inspection: The buyer shall finish internal quality inspection within 30 days from the date goods arrive at its factory. The buyer shall take a random selection of 10% goods which have passed preliminary acceptance for preproduction. The buyer produces Preproduction Report according to the result of preproduction; the report shall be conclusion of final inspection and acceptance standard recognized by both parties.
- 2.4 If any problem involved with quantity, appearance or internal quality is discovered, the buyer shall bring up objection within 30 days from the date goods arrive at the factory. If no objection is brought up in above-mentioned period, it shall be deemed products of the seller are acceptable.
- 2.5 If products delivered by the seller don't confirm to provisions of the contract, both parties may negotiate price reduction; if negotiation doesn't work, the seller shall be entitled to make following choice:
  - a. Returning products and requiring the seller to return payment; or
  - b. Replacing unacceptable products with acceptable products.The seller shall come to the buyer's factory to accept returned goods and return payment or replace goods within 3 days from the date it receives a written notice of the buyer.

**3. Tax Invoice**

The seller is responsible for providing the buyer with VAT invoice in full of 17% tax rate within 10 days after delivery. If the seller doesn't provide VAT invoice within 30 days after delivery, which causes losses of the buyer, the seller shall assume the responsibility of damage and compensation for resulting losses.

**4. Liability for Breach of Contract and Contract Termination**

- 4.1 Delay breach: When one party delays performance of delivery (including delay with return and replacement), return of payment or payment obligation, it shall pay liquidated damages for delay to the other party at 0.05% value of unperformed part every day.
- 4.2 Fundamental breach: If the seller delays delivery (including delay with return and replacement), and still doesn't perform it after 7 days, it shall be deemed that it can't perform delivery and the buyer shall be entitled to notify the seller of dissolving the contract (or unperformed part of the contract). The seller shall return the payment sent or the payment for untimely delivery of goods to the buyer within 3 days from the date it receives a notice of contract dissolution in writing from the buyer and pay liquidated damages at 20% value of undelivered goods of the contract.

**5. Contract Transfer and Contract Confidentiality**

- 5.1 Without a written approval of the other party, neither party hereof may transfer all or part of rights or obligations hereunder.
- 5.2 The buyer and the seller and their employees, agents, representatives or consultants shall all deem this contract and all articles and conditions of any supplemental agreement as business secrets. Without a written approval of the other party, they must not disclose them to the third party. In case of violation, the breaching party shall assume liability for damage and compensation for all direct losses and indirect losses caused to the other party hereby.

**6. Force Majeure**

If one party or both parties hereof can't perform the contract due to force majeure, the party in case of force majeure shall notify the other party in writing within 7 days from the date of occurrence of force majeure and submit a written certificate document of local notarial institution within 15 days. If force majeure occurs within the period of delay performance of contract obligations, the affected party must not take force majeure as reason for removing or alleviating its liability for breach. The term of objections and notice (excluding notice of force majeure event) hereunder shall be postponed due to the reason of force majeure. If the duration time of force majeure exceeds 60 days or during the period of force majeure the market price fluctuates over  $\pm 5\%$ , both parties shall be entitled to re-discuss the price or give a written notice of contract dissolution.

**7. Applicable Laws and Dispute Solution**

- 7.1 The contract shall be concluded, interpreted and performed on the basis of laws of the People's Republic of China.
- 7.2 All disputes resulting from reasons such as effectiveness, performance and interpretation of the contract shall be negotiated friendly. If negotiation doesn't work, either party may file a lawsuit. Both parties agree the disputes are under the jurisdiction of people's court in the local place where the buyer is. Related expenses paid for lawsuit (including attorney fee, business trip fee, evidence obtaining fee, notarial fee, lawsuit fee, etc) shall be all borne by the losing party.

**8. Miscellaneous**

- 8.1 No Commercial Bribery and Non-competition: Either party and its staff must not provide improper interests directly, indirectly or by any other disguised method in the name of any person, or engage with staff (including any third person introduced) of the other party in transaction similar to the contract in any mode. In case of violation, it shall be deemed as infringement on the interests of the other party, and the breaching party shall assume liquidated damages at 20% total amount of the contract (the total shall not exceed RMB 1 million). If above-mentioned liquidated damages are not sufficient for compensating for direct or indirect losses caused to the other party hereby, the breaching party also shall assume corresponding liability for damage. The buyer's information of reports against corruption Monitoring Committee of China Sunergy (Nanjing) Co., Ltd., fax: 025-52766726. Email: [JC@chinasunergy.com](mailto:JC@chinasunergy.com).

8.2 No Commercial Fraud If the seller provides the buyer with false registration data, qualification certificate, information or hide facts and truth against the principle of honesty and trustworthiness so as to cheat the buyer or final user, it shall assume liquidated damages of 20% contract amount to the buyer (the total shall not exceed RMB 1 million).

8.3 Above-mentioned provision on the quota of liquidated damages in the article doesn't affect the liability for breach the breaching party shall assume according to other articles.

8.4 Mode of Notice: All notices and objections hereunder shall be sent by fax or express. If they are sent by fax, the date of sending shall be deemed as the date of receiving; if they are sent by express, the 5th date after express is sent shall be deemed as the date of receiving.

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## Silicon Wafers(Materials) Acceptance and Inspection Standard

**1. Aim:** Regulating inspection process of silicon wafers of China Sunergy (Nanjing) Co., Ltd., guaranteeing and sustainably improving product quality.

**2. Scope:** Used for incoming inspection process of China Sunergy (Nanjing) Co., Ltd..

**3. Responsibility:** The quality center is responsible for the work of incoming inspection of silicon wafers in strict compliance with this standard.

### 4. Content

**4.1 Metal impurity and carbon and oxygen content standard if silicon wafers, see Table 1.**

**Table 1 Metal impurity concentration and carbon and oxygen content in silicon wafers**

Impurity categories	Impurity content of basic total metal (Fe, Cr, Ni, Cu), ppba	Impurity content of apparent total metal (Fe,Zn, Na), ppba	Oxygen (atoms/cm <sup>3</sup> )	Carbon (atoms/cm <sup>3</sup> )
Impurity content (Mono-crystalline N-type)	≤50	≤70	≤9×10 <sup>17</sup>	≤5×10 <sup>16</sup>
Impurity content (Mono-crystalline P-type)	≤50	≤70	≤9×10 <sup>17</sup>	≤5×10 <sup>16</sup>
Impurity content (Polycrystalline P-type)	≤50	≤70	≤3×10 <sup>17</sup>	≤5×10 <sup>17</sup>

### 4.2 Inspection Method of Silicon Water:

Inspection item		Inspection level	AQL %
Conductive type		II	1
Resistivity			1
Thickness			1
TTV			1
BOW			1
Appearance	Indents		1
	Chips		1
	Saw marks		1
	Stress		1
	Cracks		1
	Else		1

#### 4.2 P-type mono-crystalline silicon wafer inspection standard, see Table 2

**Table 2 P-type mono-crystalline silicon wafer inspection standard**

Inspection item	Acceptable standard	Inspection method	Explanations
Conductive type	P-type	Cold-heat probe testing instrument	1. The average thickness of silicon wafers is 200 micrometers 2. All thickness in the surface of silicon wafers shall be within the stipulated scope and the thinnest shall not be less than 180 micrometers; 3. The thickness of silicon wafers of the same batch shall be shown in normal distribution, namely, the mean value of measuring data shall be within the scope of stipulated thickness. Under the condition that apparent thickness of silicon wafer is guaranteed, five-point (central point and four points 6mm away from surrounding rims) test is conducted in the surface of silicon wafer to get TTV by conversion.
Resistivity( $\Omega\cdot\text{cm}$ )	1-3/3-6	Four-point probe testing instrument	
Heterogeneous degree of radial resistivity	RRV <25%	Four-point probe testing instrument	
Square size (mm)	125 $\pm$ 0.5 156 $\pm$ 0.5	Digital Calipers	
Diagonal line (mm)	150 $\pm$ 1/165 $\pm$ 1 200 $\pm$ 1/205 $\pm$ 1	Digital Calipers	
Circular arc length (mm)	27.77-32.20/10.40-14.11 19.93-23.80/14.43-18.16	Mould	
Square wafer angle	90 $^{\circ}$ $\pm$ 0.3 $^{\circ}$	Angle rule	
Thickness ( $\mu\text{m}$ )	200 $\pm$ 20	Digital micrometer or wafer inspection machine of silicon wafers	
Heterogeneous degree of thickness	TTV $\leq$ 30	Digital micrometer	
Dislocation density (piece/cm <sup>2</sup> )	< 1000	Guarantee of supplier	
Lifetime of effective current carrier	> 1.35us, and > 1.4us accounting for above 90%	WT-1000 minority carrier lifetime tester	

Body minority carrier lifetime	$> 15\mu s$	SINTON minority carrier lifetime tester	Post-diffusion test
Photoinduced attenuation	$LID \leq 3\%$	Preproduction process validation	
Loudness of the center of silicon wafer (black-center wafer)	Percentage $< 0.05\%$	Preproduction process validation	
BOW ( $\mu m$ )	$\leq 40$	Filler gauge	
Saw marks	No noticeable saw marks	Handheld roughness tester	Allowable shear mark depth $\leq 10\mu m$
Indents	No indents	Visual contact	The surface of silicon wafer is smooth and has no silicon falling.
Perforating	No perforating	Visual contact	
Contamination	No contamination	Visual contact	Visible greasy dirt, silica powder, cleaning agent, drop marks are prohibited.
Chips	No chips	Visual contact	
Stress	No stress	Feel	When silicon wafer is lightly shaken in the hand, it can't give out noise.
Twin crystal	No twin crystal	Visual contact	Seen from appearance, there are two and more crystals.
Scratches	No scratches	Visual contact	Only if there are obviously visual scratches from foreign matters in the surface of silicon wafers, they are unacceptable regardless of their lengths and sizes.
Unground oxidation film	No unground oxidation film	Visual contact	
Nicks	No nicks	Visual contact	
Shortcorners	No shortcorners	Visual contact	
Fissures /subfissures	No fissures /subfissures	Visual contact	
Eccentricity	Eccentricity degree $< 0.5mm$	Mould	

**Exhibit 4.39****English Translation for Reference Only****CSUN Silicon Wafers (Materials) Purchase Contract**Contract No.: NPM11118605Signature place: Jiangning District, Nanjing

Seller: CEEG (Nanjing) Semiconductor Co., Ltd.  
Address: No.6, Shuige Road, Jiangning Economic & Technological  
Development Zone, Nanjing  
Contact person of Contract: Zhang Yang  
Contact No.: 025-52095899

Buyer: China Sunergy (Nanjing) Co., Ltd.  
Address: No.123, Focheng West Road, Jiangning Economic &  
Technological Development Zone, Nanjing  
Contact person of Contract: Liu Shijie  
Contact No.: 025-52766603

Upon the principle of trustworthiness and mutual benefit, through sufficient negotiation, both parties sign a long-term purchase contract on September 22, 2011 (Contract No.:NPM111186) and conclude following order:

**Order****1. Product name, specification model, quantity, unit price, total price**

Order	Product name	Specification model	Unit	Quantity	Unit price	Total price	Notes
1	Polycrystalline silicon wafer	M156	Wafer	800,000	RMB9/wafer	7,200,000.00	Inc. Tax
2	Polycrystalline silicon wafer	S125/D165	Wafer	150,000	RMB7.4/wafer	1,110,000.00	Inc. Tax
Total in capital: Eight million, three hundred and ten thousand yuan only (inc.17% VAT)in lower case:8,310,000.00							

Notes: In the term of performing contract, if the market price of silicon falls, both parties may re-decide price through negotiation on the basis of market price. If negotiation doesn't work, the buyer may terminate the contract.

**2. Seller's Delivery Term, Delivery Place and Transportation Mode**

2.1 Delivery Term: The seller shall finish delivery before November 18, 2011. Segment delivery is allowable and actual delivery quantity and delivery date are subject to the demand of the buyer.If the seller is in short of supply, both parties may re-discuss undelivered quantity in reference to market price.

2.2 Delivery Place: Seller's factory



2.3 Transportation Mode: Automobile transportation

### 3. Buyer's Payment Mode and Payment Time

After the contract takes effect, the buyer shall remit payment for goods to designated account of the seller 7 days after receiving goods from the seller.

## II. Modification and Supplement of General Terms

### 4. Effectiveness and Others

4.1 The order shall be in 2 original copies and shall take effect when both parties sign and seal it. The buyer and the seller shall hold one respectively.

4.2 The buyer and the seller shall deliver original of order text to each other within 3 working days after the contract is signed. The effect of facsimile shall be equivalent to that of original.

4.3 For anything unmentioned in the contract, both parties shall negotiate otherwise and sign a supplemental agreement. The supplemental agreement shall be an effective part of the order and shall have the same legal force as this order.

**Buyer:**

China Sunergy (Nanjing) Co., Ltd.  
/seal/ China Sunergy (Nanjing) Co., Ltd.

**Seller:**

CEEG (Nanjing) Semiconductor Co., Ltd.  
/seal/ CEEG (Nanjing) Semiconductor Co., Ltd.

\_\_\_\_\_  
(Seal)

\_\_\_\_\_  
(Seal)

\_\_\_\_\_  
(Signature of authorized representative)

\_\_\_\_\_  
(Signature of authorized representative)

Date of signature: November 17, 2011

Date of signature: YY/MM/DD



Sales Contract

Contract No.: NSP11006

Signature place: Nanjing

Seller: China Sunergy (Nanjing) Co., Ltd.

Address: No.123, Focheng West Road, Jiangning Economic & Technological Development Zone, Nanjing

Tel: 025-52766609 Fax: 025-52766767

Buyer: CEEG (Nanjing) Solar Research Institute Co., Ltd.

Address: No.6, Shuige Road, Jiangning Economic & Technological Development Zone, Nanjing

Tel: 025-52095914 Fax: 025-52095914

Through friendly negotiation of both parties, on the basis of Contract Law of the People's Republic of China, both parties agree to sign following contract terms over purchase of following goods for mutual compliance and performance of both parties:

1. Product name, specification model, quantity, amount

Items	Names of goods	Quantity	Unit price (inc.17% VAT)		Total price (RMB)
			RMB/watt	RMB/piece	
1	Mono-crystalline battery 185 subassembly ( 1580*808*50mm )	357 pieces	7.9	1461.5	521755.5
2	Mono-crystalline battery 185 subassembly ( 1580*808*35mm )	9373 pieces	7.9	1461.5	13698639.5

Total (RMB in capital): Fourteen million and two hundred and twenty thousand and three hundred and ninety five yuan only

2. Technical and Quality Standard: See appendix

3. Goods Packing, Transportation, Insurance:

3.1 The packing shall meet requirements of land transport, and the seller shall bear losses caused by improper packing;

3.2 The buyer is responsible for transportation, transportation fee and corresponding transportation assurance fee.

#### **4. Seller's Delivery Term, Delivery Place and Payment Time:**

4.1 Delivery Time: The seller shall finish delivery within 20 working days after receiving prepayment of 30% total amount of the contract.

4.2 Receiving Place: The place the buyer picks up goods is finished product warehouse of CEEG (Nanjing) Renewable Energy Co., Ltd. at No. 6, Shuige Road, Jiangning District, Nanjing.

4.3 Payment Time: The buyer shall pay a repayment of 30% total amount of the contract to the seller within 3 days after the contract is signed, and the buyer shall pay off remaining payment to the seller before December 30, 2011.

#### **5. Quantity and Quality Inspection, Objection**

5.1 Quantity Objection: In terms of quantity and specification model, the buyer shall be entitled to bring up objection within 15 days from the date of receiving goods.

5.2 Quality Objection: With regard to subassembly electrical performance parameter, the buyer shall accept subassembly according to standard within 30 days from the date of delivery. Raw materials and subassembly appearance used by subassembly shall be accepted according to the standard recognized by both parties. If inspected subassembly doesn't meet standard or agreement, the seller shall be responsible for replacement or supplement within 7 days after receiving inspection report from the buyer.

#### **6. Contract Transfer:**

With written approval of the other party, neither party hereof could transfer all or part of rights and obligations hereunder.

#### **7. Contract Confidentiality:**

The buyer and the seller and their employees, agents, representatives or consultants shall all deem this contract and all articles and conditions of any supplemental agreement as business secrets. Without a written approval of the other party, they must not disclose them to the third party, or, the breaching party shall make double compensation for direct or indirect losses caused to the relative party.

#### **8. Force Majeure:**

If either party hereof can't perform the contract due to force majeure, the party in case of force majeure shall notify the other party in writing within 7 days from the date of occurrence of force majeure and submit a written certificate document of related department within 15 days after the event disappears. Part or all of responsibilities are exempted on the basis of effect of force majeure. If force majeure occurs within the period of delay performance of contract, responsibilities could not be exempted.

## **9. Provision against Corruption:**

9.1 Both the buyer and the seller and their staff directly or indirectly present cash gift, precious articles, negotiable securities and provide improper interests by other disguised method, or either party or its staff engage with staff or any third person introduced by the staff in the name of the company or individual shall all be deemed as infringement on interests of the other party. The infringing party shall make double compensation for direct or indirect losses caused to the infringed party and the infringing party hereby assumes liquidated damages at 20% total amount of the contract to the infringed party every time (the total shall not exceed RMB 1 million).

9.2 The seller's information of reports against corruption: Monitoring report mailbox: JC@Chinasunergy.com., report telephone: 8625-5276 6726

## **10. No Commercial Fraud**

If the seller provides the buyer with false registration data, qualification certificate, information or hide facts and truth against the principle of honesty and trustworthiness so as to cheat the buyer or final user, it shall assume liquidated damages of 20% contract amount to the buyer (the total shall not exceed RMB 1 million); this provision doesn't affect liabilities for breach the seller shall assume according to provisions of other articles.

## **11. Dispute Solution Mode:**

All disputes resulting from reasons such as effectiveness, performance and interpretation of the contract shall be negotiated friendly. If negotiation doesn't work, either party may file a lawsuit. Both parties agree the disputes are under the jurisdiction of people's court in the local place where the seller is. Related expenses paid for lawsuit (including attorney fee, business trip fee, evidence obtaining fee, notarial fee, lawsuit fee, etc) shall be all borne by the losing party.

## **12. Liability for Breach of Contract**

12.1 Unless it is otherwise stipulated in the contract, if the seller delays delivery of goods, it shall assume liability for breach of contract to the buyer at 0.01% value of delayed delivery every day, but the accumulated liquidated damages of delayed delivery shall not exceed 1% (one percent) of transaction total amount hereunder.

12.2 Unless it is otherwise stipulated in the contract, if the buyer delays payment for goods, it shall assume liability for breach of contract to the seller at 0.01% of the delivered payment every day, but the accumulated liquidated damages of delayed payment shall not exceed 1% (one percent) transaction total amount hereunder.

12.3 Both parties agree, after the contract takes effect, neither party may terminate the transaction unilaterally by any reason, or the breaching party shall bear liability for breach to the observant party and the liquidated damages is 20% (twenty percents) total amount of the transaction hereunder. Beside, the observant party shall be also entitled to claim for breach compensation to the breaching party on the basis of provisions of Contract Law of the People's Republic of China.

## **13. Effectiveness and Others**

13.1 The contract shall take effect when both parties sign and seal it. The content of contract is subject to printed manuscript. In case of change, both parties shall confirm it by signing and sealing the place of change. If the contract text has more than 1 page, it shall be sealed on the perforation.

13.2 The contract shall be in 2 original copies and the buyer and the seller shall hold one respectively. Both contracts shall have the same legal force; the buyer and the seller shall send original contract text to each other within 3 working days after the contract is signed. The effectiveness of fax shall be equivalent to that of original.

13.3 For anything unmentioned in the contract, both parties shall negotiate otherwise and sign a supplemental agreement. The supplemental agreement shall have the same legal force as this contract.

13.4 Notice mode for quality objections, dissolution of the contract, etc: Fax or express. If they are sent by fax, the date of sending shall be deemed as the date of receiving; if they are sent by express, the 5th date after express is sent shall be deemed as the date of receiving.

Seller: China Sunergy (Nanjing) Co., Ltd.  
/seal/ China Sunergy (Nanjing) Co., Ltd.

Buyer: CEEG (Nanjing) Solar Research Institute Co., Ltd.  
/seal/ CEEG (Nanjing) Solar Research Institute Co., Ltd.

Contact person of Contract:  
Date of signature: August 19, 2011

Contact person of Contract:  
Date of signature:

Sales Contract

Contract No.: NSP11007

Signature place: Nanjing

Seller: China Sunergy (Nanjing) Co., Ltd.

Address: No.123, Focheng West Road, Jiangning Economic & Technological Development Zone, Nanjing

Tel: 025-52766609 Fax: 025-52766767

Buyer: CEEG (Nanjing) Solar Research Institute Co., Ltd.

Address: No.6, Shuige Road, Jiangning Economic & Technological Development Zone, Nanjing

Tel: 025-52095914 Fax: 025-52095914

Through friendly negotiation of both parties, on the basis of Contract Law of the People's Republic of China, both parties agree to sign following contract terms over purchase of following goods for mutual compliance and performance of both parties:

1. Product name, specification model, quantity, amount

Items	Names of goods	Quantity	Unit price (inc.17% VAT)		Total price (RMB)
			RMB/watt	RMB/piece	
1	Mono-crystalline battery 185 subassembly (1580*808*35mm)	9190 pieces	7.9	1461.5	13431185.00

Total (RMB in capital):Thirteen million and four hundred and thirty one thousand and one hundred and eighty five yuan only

2. Technical and Quality Standard: See appendix:

3. Goods Packing, Transportation, Insurance:

3.1 The packing shall meet requirements of land transport, and the seller shall bear losses caused by improper packing;

3.2 The buyer is responsible for transportation, transportation fee and corresponding transportation assurance fee.

#### **4. Seller's Delivery Term, Delivery Place and Payment Time:**

4.1 Delivery Time: The seller shall finish delivery within 20 working days after receiving prepayment of 30% total amount of the contract.

4.2 Delivery place: The place the buyer picks up goods is finished product warehouse of CEEG (Nanjing) Renewable Energy Co., Ltd. at No. 6, Shuige Road, Jiangning District, Nanjing.

4.3 Payment Time: The buyer shall pay a repayment of 30% total amount of the contract within 3 days after the contract is signed, and the buyer shall pay off remaining payment to the seller before December 30, 2011.

#### **5. Quantity and Quality Inspection, Objection**

5.1 Quantity Objection: In terms of quantity and specification model, the buyer shall be entitled to bring up objection within 15 days from the date of receiving goods.

5.2 Quality Objection: With regard to subassembly electrical performance parameter, the buyer shall accept subassembly according to standard within 30 days from the date of delivery. Raw materials and subassembly appearance used by subassembly shall be accepted according to the standard recognized by both parties. If inspected subassembly doesn't meet standard or agreement, the seller shall be responsible for replacement or supplement within 7 days after receiving inspection report from the buyer.

#### **6. Contract Transfer:**

With written approval of the other party, neither party hereof could transfer all or part of rights and obligations hereunder.

#### **7. Contract Confidentiality:**

The buyer and the seller and their employees, agents, representatives or consultants shall all deem this contract and all articles and conditions of any supplemental agreement as business secrets. Without a written approval of the other party, they must not disclose them to the third party, or, the breaching party shall make double compensation for direct or indirect losses caused to the relative party.

#### **8. Force Majeure:**

If either party hereof can't perform the contract due to force majeure, the party in case of force majeure shall notify the other party in writing within 7 days from the date of occurrence of force majeure and submit a written certificate document of related department within 15 days after the event disappears. Part or all of responsibilities are exempted on the basis of effect of force majeure. If force majeure occurs within the period of delay performance of contract, responsibilities could not be exempted.

## **9. Provision against Corruption:**

9.1 Both the buyer and the seller and their staff directly or indirectly present cash gift, precious articles, negotiable securities and provide improper interests by other disguised method, or either party or its staff engage with staff or any third person introduced by the staff in the name of the company or individual shall all be deemed as infringement on interests of the other party. The infringing party shall make double compensation for direct or indirect losses caused to the infringed party and the infringing party hereby assumes liquidated damages at 20% total amount of the contract to the infringed party every time (the total shall not exceed RMB 1 million).

9.2 The seller's information of reports against corruption: Monitoring report mailbox: JC@Chinasunergy.com., report telephone: 8625-52766726

## **10. No Commercial Fraud**

If the seller provides the buyer with false registration data, qualification certificate, information or hide facts and truth against the principle of honesty and trustworthiness so as to cheat the buyer or final user, it shall assume liquidated damages of 20% contract amount to the buyer (the total shall not exceed RMB 1 million); this provision doesn't affect liabilities for breach the seller shall assume according to provisions of other articles.

## **11. Dispute Solution Mode:**

All disputes resulting from reasons such as effectiveness, performance and interpretation of the contract shall be negotiated friendly. If negotiation doesn't work, either party may file a lawsuit. Both parties agree the disputes are under the jurisdiction of people's court in the local place where the seller is. Related expenses paid for lawsuit (including attorney fee, business trip fee, evidence obtaining fee, notarial fee, lawsuit fee, etc) shall be all borne by the losing party.

## **12. Liability for Breach of Contract**

12.1 Unless it is otherwise stipulated in the contract, if the seller delays delivery of goods every day, it shall assume liability for breach of contract to the buyer at 0.01% value of delayed delivery every day,

But the accumulated liquidated damages of delayed payment shall not exceed 1% (one percent) of transaction total amount hereunder.

12.2 Unless it is otherwise stipulated in the contract, if the buyer delays payment for goods, it shall assume liability for breach of contract to the seller at 0.01% of the delivered payment every day, but the accumulated liquidated damages of delayed payment shall not exceed 1% (one percent) transaction total amount hereunder.

12.3 Both parties agree, after the contract takes effect, neither party may terminate the transaction unilaterally by any reason, or the breaching party shall bear liability for breach to the observant party and the liquidated damages is 20% (twenty percents) total amount of the transaction hereunder. Beside, the observant party shall be also entitled to claim for breach compensation to the breaching party on the basis of provisions of Contract Law of the People's Republic of China.

## **13. Effectiveness and Others**

13.1 The contract shall take effect when both parties sign and seal it. The content of contract is subject to printed manuscript. In case of change, both parties shall confirm it by signing and sealing the place of change. If the contact text has more than 1 page, it shall be sealed on the perforation.

13.2 The contract shall be in 2 original copies and the buyer and the seller shall hold one respectively. Both contracts shall have the same legal force; the buyer and the seller shall send original contract text to each other within 3 working days after the contract is signed. The effect of facsimile shall be equivalent to that of original.

13.3 For anything unmentioned in the contract, both parties shall negotiate otherwise and sign a supplemental agreement. The supplemental agreement shall have the same legal force as this contract.

13.4 Notice mode for quality objections, dissolution of the contract, etc: Fax or express. If they are sent by fax, the date of sending shall be deemed as the date of receiving; if they are sent by express, the 5th date after express is sent shall be deemed as the date of receiving.

Seller: China Sunergy (Nanjing) Co., Ltd.  
/seal/ China Sunergy (Nanjing) Co., Ltd.

Buyer: CEEG (Nanjing) Solar Research Institute  
Co., Ltd.  
/seal/ CEEG (Nanjing) Solar Research Institute  
Co., Ltd.

Contact person of Contract:  
Date of signature: August 19, 2011

Contact person of Contract:  
Date of signature:



**Agreement**

Party A: CEEG (Nanjing) Renewable Energy Co., Ltd.

Party B: CEEG (Nanjing) Solar Research Institute Co., Ltd.

Party C: China Electric Equipment Group Co., Ltd.

Party D: CEEG (Nanjing) Semiconductor Co., Ltd.

Party E: CEEG Nanjing International Trade Co. Ltd.

Party F: CEEG (Nanjing) Special Transformer Co., Ltd.

Party G: CEEG (Jiangsu) Insulative New Material Co., Ltd.

Thereinafter referred to as: Party A, Party B, Party C, Party D, Party E, Party F, Party G

Due to expiration of creditor's rights and liabilities of above-mentioned seven parties, through friendly negotiation all parties agree to transfer creditor's rights and liabilities in one of following modes.

1. Party A will transfer its creditor's right to Party B totaling at RMB Fifty one million and ninety five thousand and four hundred and six yuan and two chiao and three cents (RMB51,095,406.23 )to Party C, Party D, Party E, Party F and Party G, including five million and four hundred and ninety four thousand and three hundred and twenty six yuan and one chiao and six cents (RMB5,494, 326.16) accepted by Party C, two million and five hundred and twenty one thousand and five hundred and twenty two yuan and two chaio (RMB2,521,522.20) accepted by Party D, eight million and nine hundred and seventy nine thousand and five hundred and eighty nine yuan and nine chiao and two cents (RMB8, 979, 589.92) accepted by Party E, thirty four million and seventy three thousand and five hundred and sixty seven yuan and nine chiao and five cents (RMB34, 073, 567.95) accepted by Party F, and twenty six thousand and four hundred yuan (RMB26,400) accepted by Party G.
2. The remaining creditor's rights and liabilities unsettled by all parties after it is offset shall be solved by all parties through negotiation.

The agreement shall be in 7 original copies which are taken as proof for entry into the account book.

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Party A: CEEG (Nanjing) Renewable Energy Co., Ltd.  
/seal/ CEEG (Nanjing) Renewable Energy Co., Ltd.

Party B: CEEG (Nanjing) Solar Research Institute Co., Ltd.  
/seal/ CEEG (Nanjing) Solar Research Institute Co., Ltd.

Party C: China Electric Equipment Group Co., Ltd.  
/seal/ China Electric Equipment Group Co., Ltd.

Party D: CEEG (Nanjing) Semiconductor Co., Ltd.  
/seal/ CEEG (Nanjing) Semiconductor Co., Ltd.

Party E: CEEG Nanjing International Trade Co. Ltd.  
/seal/ CEEG Nanjing International Trade Co. Ltd.

Party F: CEEG (Nanjing) Special Transformer Co., Ltd.  
/seal/ CEEG (Nanjing) Special Transformer Co., Ltd.

Party G: CEEG (Jiangsu) Insulative New Material Co., Ltd.  
/seal/ CEEG (Jiangsu) Insulative New Material Co., Ltd.

Date: December 31, 2011

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**Maximum Guarantee Contract**  
**(Applicable to Limited Guarantee Amount Contract)**

Jiangsu Branch of Bank of Communications Co., Ltd.

Printed in June 2010

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Maximum Guarantee Contract

Important Notes

The guarantor shall carefully read the whole text of the contract, especially articles indicated with the mark ▲▲. In case of any doubts, please submit them to the Creditor in time for explanations.

Guarantor: Jiangsu Xinde Asset Management Co., Ltd.  
Legal representative (principal): Lu Tingxiu  
Certificate type: \_\_\_\_\_Certificate No.: \_\_\_\_\_  
Legal (household register) address: \_\_\_\_\_  
Correspondence address: \_\_\_\_\_Post code: \_\_\_\_\_  
Contact Tel: \_\_\_\_\_

Creditor: Jiangsu Branch of Bank of Communications Co., Ltd.  
Principal: Gu Sheng  
Correspondence address: No. 124, Zhongshan North Road, Nanjing

Whereas: China Sunergy (Nanjing) Co., Ltd. (hereinafter referred to as “the Debtor”) signs master contract with the Creditor (No.: 7110032\_\_\_\_\_, name: Comprehensive Credit Granting Contract),

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To guarantee enforcement of consecutive claims under master contract, the Guarantor is willing to provide maximum amount of guarantee.

To define rights and obligations of both parties, the Gurantor and the Creditor hereby conclude the contract through negotiation.

## **Article 1 Principal Claim**

- 1.1 The principal claim guaranteed by the Guarantor is all claims under master contract, including all kinds of loans the Creditor offers to the Debtor on the basis of master contract or other financing fund such as inward documentary bills, inward collection financing, import outward remittance financing, outward documentary bills, outward collection financing, outward invoice financing, packing loan, etc, or the claim (including possible claim) the Creditor has to the Debtor because the Creditor has opened bank acceptance, letter of credit or security bond (including standby letter of credit, the same as below).

When principal claim under master contract takes place, the Creditor and the Debtor may stipulate currency type, amount, and interest rate of related claim principal and term of debts in *Facility Application* under master contract.

- 1.2 The maximum claim guaranteed by the Guarantor is (currency type and amount in capital) Renminbi one hundred and fifty six million yuan only.
- 1.3 The principal claim guaranteed hereunder is confirmed by the date of occurrence (“date of confirming principal claim”) of the last principal claim under master contract hereunder. Where the Debtor cancels the limit of credit granting on the basis of master contract, the date of canceling the limit of credit granting is the date of confirming principal claim.

The principal claim before the date of confirming principal claim (including that every date) and interest (including compounded interest, overdue and misappropriating interest penalty) incurred until the Guarantor assumes responsibility, expenses for the Creditor to enforce claim as stipulated by Article 2.2 hereunder and other related expenses shall all be in the scope of contract guarantee.

Occurrence of principal claim refers to the Creditor issuing loans, financing payment or opening bank acceptance, letter of credit or security bond.

## **Article 2 Obligations of Guarantor**

- 2.1 The guarantee hereunder represents a joint and several liability.
  - 2.2 The scope of guarantee shall be principal and interest, compound interest, interest penalty, default fine, compensation for damage and expenses for enforcing claim. The expenses for enforcing claim include but are not limited to collection fee, lawsuit fee (or arbitration fee), maintenance cost, announcement fee, execution fee, attorney fee, business trip fee and other expenses.
  - 2.3 The term of guarantee is respectively calculated on the basis of term of debts stipulated by every Facility Application under master contract (on the basis of the date of advances by the Creditor under opening bank acceptance /letter of credit /security bond, the same below). The term of guarantee under every Facility Application shall be from maturity date of debts stipulated by the Facility Application (or the date of advances by the Creditor) to two years after maturity date of debts stipulated by Facility Application under master contract (or the date of advances by the Creditor).
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Where *Facility Application* under master contract stipulates the Debtor may perform the obligation of repayment by stages, the term of guarantee is calculated respectively according to obligation of repayment at every stage, from maturity date of debts at every stage (or the date of advances by the Creditor) to two years after maturity date of debts at last stage (or the date of advances by Creditor).

Where the Creditor announces the debts under master contract are matured earlier, the earlier expiration date announced by the Creditor shall be maturity date of debts.

- 2.4      ▲▲ On the basis provisions of Article 5 of *Security Law of the People's Republic of China* , both parties make special provisions as follows: the effectiveness hereof is independent from master contract. When master contract or its related articles are invalid, it does not affect effectiveness of this contract. The Guarantor shall assume joint and several liability in respect of restitution responsibility or compensation responsibility of the Debtor after master contract is invalid.

### ▲▲ Article 3 Representations and Warranties of Guarantor

- 3.1      The Guarantor shall have capacity for civil rights and full civil capacity (if the Guarantor is natural person)/ the Guarantor shall be established by law and existing legally and have all necessary capacity for rights ( if the Guarantor is not natural person), could perform obligations hereof and assume civil responsibility individually.
- 3.2      Signature and performance of the contract are true declaration of the intention of the Guarantor and must pass through all necessary agreement, approval and authorization and have no flaw in any law.
- 3.3      In the course the contract is signed and performed, all documents, data and information the Guarantor provides the Creditor with shall be true, complete and effective.

### ▲▲ Article 4 Obligations of Guarantor

- 4.1      When the Debtor does not pay back all or part of loans, financing principal, advances of Creditor or related interest under any master contract in full timely, the Guarantor shall pay all due payables of the Debtor to Creditor immediately and unconditionally.

The Guarantor agrees: where the master contract is mortgaged or pledged by the Debtor or the third party at the same time, the Creditor is entitled to decide the order of exercising rights by itself and the Creditor is entitled to require the Guarantor to pay all due payables of the Debtor immediately without the need of exercising real right for security in advance; where the Creditor waives real right for security or its right position or alters real right for security, the Guarantor shall not be exempted from any responsibility and still assumes responsibility of guarantee according to the contract.

- 4.2      The Guarantor shall assist the Creditor in supervision and examination of income and credit circumstance ( if the Guarantor is natural person)/ operational and financial status (if the Guarantor is not natural person), and timely provide all financial statements, other data and information at the request of the Creditor, and guarantee the provided documents, data and information are true, complete, and correct.
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- 4.3 When the Guarantor is in any of following circumstances, it shall notify the Creditor in writing at least 30 days in advance; before claims under master contract are all paid off, the Guarantor must not take following actions without a written approval of the Creditor:
- (1) Disposing important assets, all or most of assets by leasing, lending, sales, transfer, bestowal, mortgage, pledge or other way;
  - (2) Operation system or ownership organization takes major change, including but not limited to implementation of contract, leasing, joint operation, reform of corporate system, reform of shareholding co-operative system, enterprise sales, consolidation (merger), joint venture (cooperation), separation, establishment of branch, transfer of property rights, capital reduction, etc.
- 4.4 The Guarantor shall notify the Creditor in writing within 7 days upon the occurrence or possible occurrence of any of the following items:
- (1) Modification of articles of association, change of items of industry & commerce registration, such as enterprise name, legal representative, address, correspondence address or business scope and making decisions which have significant influence on finance and personnel;
  - (2) The Creditor is planning to apply for or may apply for or has applied for bankruptcy;
  - (3) Involving major lawsuit, arbitration or administrative measures, or property preservation or other compulsory measures have been taken to main assets;
  - (4) Providing guarantee to the third party and therefore having significant negative influence on its economic status, financial status or capacity of performing obligations hereunder;
  - (5) Signing contracts which have significant influence on its operational status and financial status;
  - (6) Suspended production, closing business, dissolution, shutout for consolidation, being cancelled or business license being suspended;
  - (7) The Guarantor or its legal representative (principal) or main managerial staff violates or gets involved with violations against laws, regulations or applicable rules of the exchange;
  - (8) Operation runs into difficulty seriously, financial status worsens or other events which have negative influence on operational status, financial status or solvency or economic status of the Guarantor happen;
  - (9) The work and income of the Guarantor take important change or contact information like residence is altered (if the Guarantor is natural person).
- 4.5 Before the Debtor pays off all debts under master contract to the Creditor, the Guarantor does not exercise right of recourse it has due to performance of the contract to the Debtor or other guarantor.
- 4.6 Before the Debtor pays off all debts under master contract in full, if the Debtor becomes shareholder of the Guarantor or actual controller, the Guarantor would immediately notify the Creditor and provide resolution of the board of shareholders (or shareholder meeting) about offering for security.
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## **▲ ▲ Article 5 Agreement on Deduction**

- 5.1 The Guarantor authorizes, when the Debtor or the Guarantor has debts payable, the Creditor shall be entitled to deduct the fund of any account opened in Bank of Communications for satisfaction.
- 5.2 After deduction, the Creditor shall notify the Guarantor of account No. related to deduction, master contract No., *Facility Application* No., contract No., deducted amount and outstanding debts.
- 5.3 When the deducted fund is not sufficient for satisfying all debts, it shall be used for compensating for due and unpaid expenses at first and then deducted according to following provision:
- (1) Where principal and interest are overdue for less than 90 days under loan (excluding personal loan) or trade financing business (excluding export factoring), the balance after compensation for expenses shall be at first used for compensating for due and unpaid interest or interest penalty, compounded interest, and then used for compensating for due and unpaid principal; where principal and interest are overdue for 90 days, the balance after compensation for expenses shall be at first used for compensating for due and unpaid principal, and then used for compensating for due and unpaid interest or interest penalty, compounded interest.
  - (2) Under the business items such as opening bank acceptance, opening letter of credit, opening security bond, export factoring, etc, the balance after compensation for expenses shall be at first used for compensating for due and unpaid principal, and then used for compensating for due and unpaid interest or interest penalty, compounded interest.
  - (3) Under business item of personal loan, debts shall be compensated for in the order stipulated by master contract.
- 5.4 Where the currency of deducted fund is different from that of debts needed to be compensated for, the amount of debts shall be converted and compensated for on the basis of exchange rate released by Bank of Communications when the fund is deducted.

## **Article 6 Dispute resolution**

Disputes hereunder shall be filed to the court which has jurisdiction right in the place of the Creditor. During the period of disputes, every party shall still continue to perform articles not involved with disputes.

## **Article 7 Miscellaneous**

- 7.1 ▲ ▲ When the Guarantor dodges supervision of Creditor, defaults guaranteed debts, viciously dodges and invalidate debts, etc, the Creditor shall be entitled to report this kind of action to related unit and announce it in news media.
- 7.2 The Guarantor has carefully read master contract and confirmed all articles.
-



- 7.3 The contract shall take effect from the date all following conditions are met: (1) if the Guarantor is natural person, the Guarantor signs it; if the Guarantor is not natural person, legal representative (principal) or authorized representative of the Guarantor signs (seals) it and annexes an official seal; (2) principal or authorized representative of the Creditor signs (seals) it and annexes a unit seal.
- 7.4 The original text of the contract shall be in three original copies, the Guarantor, the Creditor and the Debtor shall hold one respectively.

#### **Article 8 Other Provisions**

- 8.1 ▲▲ When the contract is signed, the relationship between the Debtor and the Guarantor of the master contract belongs to (2): (1): the Debtor of master contract is shareholder of the Guarantor or “Actual Controller” defined by *Company Law*; (2) the Debtor of master contract is not shareholder of the Guarantor or “Actual Controller” defined by *Company Law*

- 8.2 ▲▲ \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
-

(No text below in the page)

The Guarantor has read through foregoing articles and the Creditor has make related explanations at the request of the Guarantor who has no objection to all content.

Guarantor (official seal/signature)

Creditor (unit/seal)

/seal/ Jiangsu Xinde Asset Management Co., Ltd.

/seal/ Jiangsu Branch of Bank of Communications Co., Ltd. Special seal of contract

Legal representative (principal) or authorized representative (signature or seal)

Principal or authorized representative (signature or seal)

/seal/ Lu Tingxiu

/seal/ Liu Shuanxing

Signature date: May 26, 2011

Signature date: May 26, 2011

Co-owner Statement (applicable to the Guarantor who is natural person):  
I (name: certificate type:\_\_\_\_\_ certificate No.:\_\_\_\_\_) am spouse of the Guarantor. I have carefully read and confirmed all articles hereunder, known and agreed the Guarantor provides guarantee to the Creditor for the Debtor. The debts on the basis of the guarantee are common debts of both husband and wife and are satisfied by common property both husband and wife.

Signed by co-owner:  
YY/MM/DD

\_\_\_\_\_

**Maximum Guarantee Contract**  
**(Applicable to Limited Guarantee Amount Contract)**

Jiangsu Branch of Bank of Communications Co., Ltd.

Printed in June 2010

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Maximum Guarantee Contract

Important Notes

The guarantor shall carefully read the whole text of the contract, especially articles indicated with the mark ▲▲. In case of any doubts, please submit them to the Creditor in time for explanations.

Guarantor: Jiangsu Xinde Asset Management Co., Ltd.  
Legal representative (principal): Lu Tingxiu  
Certificate type: \_\_\_\_\_ Certificate No.: \_\_\_\_\_  
Legal (household register) address: \_\_\_\_\_  
Correspondence address: \_\_\_\_\_ Post code: \_\_\_\_\_  
Contact Tel: \_\_\_\_\_

Creditor: Jiangsu Branch of Bank of Communications Co., Ltd.  
Principal: Gu Sheng  
Correspondence address: No. 124, Zhongshan North Road, Nanjing

Whereas: CEEG (Nanjing) Renewable Energy Co., Ltd. (hereinafter referred to as “the Debtor”) signs master contract with the Creditor (No.: 7110033 \_\_\_\_\_, name: Comprehensive Credit Granting Contract),

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To guarantee enforcement of consecutive claims under master contract, the Guarantor is willing to provide maximum amount of guarantee.

To define rights and obligations of both parties, the Gurantor and the Creditor hereby conclude the contract through negotiation.

## **Article 1 Principal Claim**

- 1.1 The principal claim guaranteed by the Guarantor is all claims under master contract, including all kinds of loans the Creditor offers to the Debtor on the basis of master contract or other financing fund such as inward documentary bills, inward collection financing, import outward remittance financing, outward documentary bills, outward collection financing, outward invoice financing, packing loan, etc, or the claim (including possible claim) the Creditor has to the Debtor because the Creditor has opened bank acceptance, letter of credit or security bond (including standby letter of credit, the same as below).

When principal claim under master contract takes place, the Creditor and the Debtor may stipulate currency type, amount, and interest rate of related claim principal and term of debts in *Facility Application* under master contract.

- 1.2 The maximum claim guaranteed by the Guarantor is (currency type and amount in capital) Renminbi two hundred and forty million yuan only.
- 1.3 The principal claim guaranteed hereunder is confirmed by the date of occurrence (“date of confirming principal claim”) of the last principal claim under master contract hereunder. Where the Debtor cancels the limit of credit granting on the basis of master contract, the date of canceling the limit of credit granting is the date of confirming principal claim.

The principal claim before the date of confirming principal claim (including that every date) and interest (including compounded interest, overdue and misappropriating interest penalty) incurred until the Guarantor assumes responsibility, expenses for the Creditor to enforce claim as stipulated by Article 2.2 hereunder and other related expenses shall all be in the scope of contract guarantee.

Occurrence of principal claim refers to the Creditor issuing loans, financing payment or opening bank acceptance, letter of credit or security bond.

## **Article 2 Obligations of Guarantor**

- 2.1 The guarantee hereunder represents a joint and several liability.
- 2.2 The scope of guarantee shall be principal and interest, compound interest, interest penalty, default fine, compensation for damage and expenses for enforcing claim. The expenses for enforcing claim include but are not limited to collection fee, lawsuit fee (or arbitration fee), maintenance cost, announcement fee, execution fee, attorney fee, business trip fee and other expenses.
- 2.3 The term of guarantee is respectively calculated on the basis of term of debts stipulated by every *Facility Application* under master contract (on the basis of the date of advances by the Creditor under opening bank acceptance /letter of credit /security bond, the same below). The term of guarantee under every *Facility Application* shall be from maturity date of debts stipulated by the *Facility Application* (or the date of advances by the Creditor) to two years after maturity date of debts stipulated by *Facility Application* under master contract (or the date of advances by the Creditor).
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Where *Facility Application* under master contract stipulates the Debtor may perform the obligation of repayment by stages, the term of guarantee is calculated respectively according to obligation of repayment at every stage, from maturity date of debts at every stage (or the date of advances by the Creditor) to two years after maturity date of debts at last stage (or the date of advances by Creditor).

Where the Creditor announces the debts under master contract are matured earlier, the earlier expiration date announced by the Creditor shall be maturity date of debts.

- 2.4      ▲▲ On the basis provisions of Article 5 of *Security Law of the People's Republic of China* , both parties make special provisions as follows: the effectiveness hereof is independent from master contract. When master contract or its related articles are invalid, it does not affect effectiveness of this contract. The Guarantor shall assume joint and several liability in respect of restitution responsibility or compensation responsibility of the Debtor after master contract is invalid.

### ▲▲ Article 3 Representations and Warranties of Guarantor

- 3.1      The Guarantor shall have capacity for civil rights and full civil capacity (if the Guarantor is natural person)/ the Guarantor shall be established by law and existing legally and have all necessary capacity for rights ( if the Guarantor is not natural person), could perform obligations hereof and assume civil responsibility individually.
- 3.2      Signature and performance of the contract are true declaration of the intention of the Guarantor and must pass through all necessary agreement, approval and authorization and have no flaw in any law.
- 3.3      In the course the contract is signed and performed, all documents, data and information the Guarantor provides the Creditor with shall be true, complete and effective.

### ▲▲ Article 4 Obligations of Guarantor

- 4.1      When the Debtor does not pay back all or part of loans, financing principal, advances of Creditor or related interest under any master contract in full timely, the Guarantor shall pay all due payables of the Debtor to Creditor immediately and unconditionally.

The Guarantor agrees: where the master contract is mortgaged or pledged by the Debtor or the third party at the same time, the Creditor is entitled to decide the order of exercising rights by itself and the Creditor is entitled to require the Guarantor to pay all due payables of the Debtor immediately without the need of exercising real right for security in advance; where the Creditor waives real right for security or its right position or alters real right for security, the Guarantor shall not be exempted from any responsibility and still assumes responsibility of guarantee according to the contract.

- 4.2      The Guarantor shall assist the Creditor in supervision and examination of income and credit circumstance ( if the Guarantor is natural person)/ operational and financial status (if the Guarantor is not natural person), and timely provide all financial statements, other data and information at the request of the Creditor, and guarantee the provided documents, data and information are true, complete, and correct.
-

- 4.3 When the Guarantor is in any of following circumstances, it shall notify the Creditor in writing at least 30 days in advance; before claims under master contract are all paid off, the Guarantor must not take following actions without a written approval of the Creditor:
- (1) Disposing important assets, all or most of assets by leasing, lending, sales, transfer, bestowal, mortgage, pledge or other way;
  - (2) Operation system or ownership organization takes major change, including but not limited to implementation of contract, leasing, joint operation, reform of corporate system, reform of shareholding co-operative system, enterprise sales, consolidation (merger), joint venture (cooperation), separation, establishment of branch, transfer of property rights, capital reduction, etc.
- 4.4 The Guarantor shall notify the Creditor in writing within 7 days upon the occurrence or possible occurrence of any of the following items:
- (1) Modification of articles of association, change of items of industry & commerce registration, such as enterprise name, legal representative, address, correspondence address or business scope and making decisions which have significant influence on finance and personnel;
  - (2) The Creditor is planning to apply for or may apply for or has applied for bankruptcy;
  - (3) Involving major lawsuit, arbitration or administrative measures, or property preservation or other compulsory measures have been taken to main assets;
  - (4) Providing guarantee to the third party and therefore having significant negative influence on its economic status, financial status or capacity of performing obligations hereunder;
  - (5) Signing contracts which have significant influence on its operational status and financial status;
  - (6) Suspended production, closing business, dissolution, shutout for consolidation, being cancelled or business license being suspended;
  - (7) The Guarantor or its legal representative (principal) or main managerial staff violates or gets involved with violations against laws, regulations or applicable rules of the exchange;
  - (8) Operation runs into difficulty seriously, financial status worsens or other events which have negative influence on operational status, financial status or solvency or economic status of the Guarantor happen;
  - (9) The work and income of the Guarantor take important change or contact information like residence is altered (if the Guarantor is natural person).
- 4.5 Before the Debtor pays off all debts under master contract to the Creditor, the Guarantor does not exercise right of recourse it has due to performance of the contract to the Debtor or other guarantor.
- 4.6 Before the Debtor pays off all debts under master contract in full, if the Debtor becomes shareholder of the Guarantor or actual controller, the Guarantor would immediately notify the Creditor and provide resolution of the board of shareholders (or shareholder meeting) about offering for security.
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## **▲ ▲ Article 5 Agreement on Deduction**

- 5.1 The Guarantor authorizes, when the Debtor or the Guarantor has debts payable, the Creditor shall be entitled to deduct the fund of any account opened in Bank of Communications for satisfaction.
- 5.2 After deduction, the Creditor shall notify the Guarantor of account No. related to deduction, master contract No., *Facility Application* No., contract No., deducted amount and outstanding debts.
- 5.3 When the deducted fund is not sufficient for satisfying all debts, it shall be used for compensating for due and unpaid expenses at first and then deducted according to following provision:
- (1) Where principal and interest are overdue for less than 90 days under loan (excluding personal loan) or trade financing business (excluding export factoring), the balance after compensation for expenses shall be at first used for compensating for due and unpaid interest or interest penalty, compounded interest, and then used for compensating for due and unpaid principal; where principal and interest are overdue for 90 days, the balance after compensation for expenses shall be at first used for compensating for due and unpaid principal, and then used for compensating for due and unpaid interest or interest penalty, compounded interest.
  - (2) Under the business items such as opening bank acceptance, opening letter of credit, opening security bond, export factoring, etc, the balance after compensation for expenses shall be at first used for compensating for due and unpaid principal, and then used for compensating for due and unpaid interest or interest penalty, compounded interest.
  - (3) Under business item of personal loan, debts shall be compensated for in the order stipulated by master contract.
- 5.4 Where the currency of deducted fund is different from that of debts needed to be compensated for, the amount of debts shall be converted and compensated for on the basis of exchange rate released by Bank of Communications when the fund is deducted.

## **Article 6 Dispute resolution**

Disputes hereunder shall be filed to the court which has jurisdiction right in the place of the Creditor. During the period of disputes, every party shall still continue to perform articles not involved with disputes.

## **Article 7 Miscellaneous**

- 7.1 ▲ ▲ When the Guarantor dodges supervision of Creditor, defaults guaranteed debts, viciously dodges and invalidate debts, etc, the Creditor shall be entitled to report this kind of action to related unit and announce it in news media.
- 7.2 The Guarantor has carefully read master contract and confirmed all articles.
-



- 7.3 The contract shall take effect from the date all following conditions are met: (1) if the Guarantor is natural person, the Guarantor signs it; if the Guarantor is not natural person, legal representative (principal) or authorized representative of the Guarantor signs (seals) it and annexes an official seal; (2) principal or authorized representative of the Creditor signs (seals) it and annexes a unit seal.
- 7.4 The original text of the contract shall be in \_\_\_\_\_ original copies, the Guarantor, the Creditor and the Debtor shall hold one respectively.

#### **Article 8 Other Provisions**

- 8.1 ▲▲ When the contract is signed, the relationship between the Debtor and the Guarantor of the master contract belongs to (2): (1): the Debtor of master contract is shareholder of the Guarantor or “Actual Controller” defined by *Company Law*; (2) the Debtor of master contract is not shareholder of the Guarantor or “Actual Controller” defined by *Company Law*

- 8.2 ▲▲ \_\_\_\_\_  
\_\_\_\_\_  
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-

(No text below in the page)

The Guarantor has read through foregoing articles and the Creditor has make related explanations at the request of the Guarantor who has no objection to all content.

Guarantor (official seal/signature)

Creditor (unit/seal)

/seal/ Jiangsu Xinde Asset Management Co., Ltd.

/seal/ Jiangsu Branch of Bank of Communications Co., Ltd. Special seal of contract

Legal representative (principal) or authorized representative (signature or seal)

Principal or authorized representative (signature or seal)

/seal/ Lu Tingxiu

/seal/ Liu Shuanxing

Signature date: May 26, 2011

Signature date: May 26, 2011

Co-owner Statement (applicable to the Guarantor who is natural person):

I (name: certificate type:\_\_\_\_\_ certificate No.:\_\_\_\_\_) am spouse of the Guarantor. I have carefully read and confirmed all articles hereunder, known and agreed the Guarantor provides guarantee to the Creditor for the Debtor. The debts on the basis of the guarantee are common debts of both husband and wife and are satisfied by common property both husband and wife.

Signed by co-owner:  
YY/MM/DD

\_\_\_\_\_

## Maximum Guarantee Contract

### Important Notes

The Guarantor shall carefully read the whole text of the contract. In case of any doubts, please submit them to the Creditor in time for explanations.

Guarantor: Jiangsu Xinde Asset Management Co., Ltd.

Legal address: No.6, Shuige Road, Jiangning Economic & Technological Development Zone

Legal representative: Lu Tingxiu

Correspondence address: the same as above

Post code: 210000

Contact Tel: 83275358

Fax: \_\_\_\_\_

Creditor: Nanjing Branch of Evergrowing Bank Co., Ltd.

Principal: Yang Qiang

Correspondence address: No. 188, Changjiang Road

Post code: 210018

Contact Tel: 86827888

Fax: 86827555

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To assure all debts within valid period of guarantee line stipulated in this contract between the Creditor and the Debtor China Sunergy (Nanjing) Co., Ltd. are paid off, the Guarantor is willing to assume joint and several liability to the Creditor. To confirm responsibilities and keep business creditability, both parties hereto conclude and sign the contract on the basis of related laws and regulations for mutual compliance.

## **Article One Definition and Interpretation**

Unless it is otherwise stipulated by the contract,

1. “Claims incurred between the Creditor and the Debtor” include claims (including principal, interest, interest penalty, compound interest, default fine, compensation for damage and expenses for enforcing claims, etc) incurred to the Creditor and the Debtor from financing business such as loan of domestic and foreign currency, inter-bank lending, trade financing, (L/C opening, trust receipt, packing loan, outward documentary bills, acceptance, discount, buy-back of bills, guaranty, etc.
  2. “Valid period of guarantee line” refers to a consecutive period that is clearly agreed by both parties hereto in order to define the scope of guaranteed claims hereunder. Claims incurred in this period, not matter if its term of single debt exceeds the period, the Guarantor shall assume joint and several liability of guarantee for balances of all claims under maximum principal quota guaranteed by it.
  3. “Principal” refers to debt principal incurred when the Debtor transacts business, including but not limited to loan principal of domestic and foreign currency which the Debtor shall pay off, trade financing principal, bank acceptance payment, note discount fund, advances under letter of credit, debt principal the Creditor assumes the responsibility of guaranty for the Debtor, etc.
  4. “Guaranteed maximum principal quota” refers to the maximum principal limit that is clearly agreed by both parties hereto in order to define the scope of guaranteed claims hereunder. Under this principal quota, regardless of times claims incur and the amount at every time between the Creditor and the Debtor, the Guarantor shall assume joint and several liability of guarantee for balances of all claims(including principal, interest, interest penalty, compound interest, default fine, compensation for damage and expenses for enforcing claims, etc) under the guaranteed maximum principal quota.
  5. The expenses for enforcing claims include but are not limited to collection fee, lawsuit fee (or arbitration fee), maintenance cost, execution fee, attorney agent fee, fee for handling cases, announcement fee, evaluation fee, auction fee, etc.
  6. The Creditor implements control of balances to claims of the Debtor. Balances refer to the total of balances of claims the Creditor has to the Debtor which incur within the valid period of guarantee line, including undue balances and due and unpaid balances.
    - (1) Undue balances refer to all balances of debts to be paid off, whose terms have not matured.
    - (2) Due and unpaid balances refer to all balances of debts whose terms are matured and the Guarantor has not performed obligation of paying off them.
  7. “Master contract” refers to, within valid period of guarantee line, the contract signed by the Creditor and the Debtor, which specifies every debt amount, term of debt, and other rights and obligations.
-

## **Article Two Creditor's Right to be Secured**

Creditor's right to be secured hereunder shall be all claims under guaranteed maximum principal quota of the Creditor and the Debtor, which incur within valid period of guarantee line.

## **Article Three Valid Period of Guarantee line**

1. The valid period of guarantee line shall be from January 4, 2011 to January 4, 2012.
2. The date of occurrence of debts hereunder must be within valid period of guarantee line. The maturity date of every debt may exceed the maturity date of valid period of guarantee line, namely, no matter if the maturity date of single debt of the Debtor exceeds the maturity date of valid period of guarantee line the Guarantor shall assume joint and several liability of guarantee to guaranteed claims.

## **Article Four Guaranteed Maximum Principal Quota**

1. The guaranteed maximum principal quota hereunder is (currency type: RMB) ninety million yuan only.
2. Within the maximum principal quota, regardless of times claims incur and the amount at every time between the Creditor and the Debtor, the Guarantor shall assume joint and several liability of guarantee for balances of all claims (including principal, interest, interest penalty, compound interest, default fine, compensation for damage and expenses for enforcing claims, etc) under the maximum principal quota.

## **Article Five Form of Guarantee**

The Guarantor shall assume joint and several liability of guarantee hereunder. Whatever reason the Debtor does not perform its obligation of paying off due debts (including debts withdrawn ahead of schedule by the Creditor due to breach of the Debtor or the Guarantor) as stipulated by master contract, the Guarantor shall assume joint and several liability as stipulated hereunder.

## **Article Six Scope of Guarantee**

The scope of guarantee hereunder shall be balances of all claims (including principal, interest, interest penalty, compound interest, default fine, compensation for damage and expenses for enforcing claims, etc) under guaranteed maximum principal quota which incur within valid period of guarantee line.

## **Article Seven Term of guarantee**

1. The term of guarantee of every debt hereunder shall be two years, from maturity date of every main debt.
-

2. Where the financing confirmed by single master contract is matured in batches or by stages, the period of guarantee in every batch or at every stage shall be two years, from the maturity date of main debt in every batch or at every stage.
3. When the Creditor withdraws debts ahead of schedule, it shall be deemed that the term of main debt is matured ahead of schedule and the period of guarantee of this debt shall be brought forward correspondingly.

The maturity date of debts under opening bank acceptance, opening L/C and opening security bond shall be the date of advances by the Creditor.

Where the Creditor announces the main debt is matured ahead of schedule, the maturity date ahead of schedule announced by the Creditor shall be maturity date of debts.

#### **Article Eight Payment upon Claim**

The debts hereunder shall be of payment upon claim, namely, only if the Creditor submits debt collection notice indicated with guarantee contract No. and debt balance to the Guarantor, the Guarantor shall immediately pay it off after receiving the notice.

#### **Article Nine Representations and Warranties**

1. Statement of Guarantor:
    - (1) The guarantee commitment of the Guarantor hereunder shall be effective to all debts within maximum principal quota and valid period of guarantee line. Unless it is required by the Creditor, the Guarantor does not handle guarantee formalities one by one.
    - (2) The Guarantor hereby irrevocably authorizes the Creditor to deduct money from any of its accounts in any business institution of the Creditor for paying off debts and other expenses the Guarantor shall assume, which does not need legal procedures.
    - (3) The Guarantor does not hide any of following events which has happened or is going to happen and may make the Creditor not accept it as the Guarantor:
      - (a) The Guarantor or its main leader is involved with major violation against discipline, laws or is filed a claim against;
      - (b) Unsettled lawsuit, arbitration event;
      - (c) Various debts, possible liabilities the Guarantor assumes, or guarantee, mortgage (pledge) guaranty the Guarantor provides to the third person;
      - (d) Breach events of the Guarantor taking place under other contracts;
      - (e) Other circumstances affecting financial status or guaranty capability of the Guarantor.
    - (4) Documents, data, statements and vouchers, etc the Guarantor provides to the Creditor shall be true and effective.
    - (5) The Guarantor knows clearly the business scope and extent of authorization of the Creditor.
-

- (6) The Guarantor has fully read all articles hereunder. At the request of the Guarantor, the Creditor has made corresponding article explanations for the contract. The Guarantor has known and fully understood all meaning of articles hereunder and related legal consequence.
- (7) The Guarantor shall be entitled to sign this contract.

## 2. Warranties of Guarantor

- (1) Within valid period of the contract, the Guarantor must not reach the goal of damaging interests of Creditor or escaping from liabilities by transferring assets, waiving assets or negatively performing claims or any other way.
- (2) If the Debtor faces recourse of the Guarantor and any payment demand under master contract from the Creditor at the same time, the Guarantor shall agree the Debtor pays off debts it owes the Creditor preferentially.
- (3) If the Debtor and the Guarantor have signed or will sign counter guarantee contract over guaranty obligations hereunder, the counter guarantee contract must not damage any right the Creditor is entitled to hereunder by law or in fact.
- (4) Before all obligations hereunder are performed, if the Guarantor changes any property right or adjust operation mode (including but not limited to signing joint venture or cooperation contract with foreign, Hong Kong, Macao or Taiwan businessmen; cancellation, shutdown, suspense from production, change of the line of production, alteration; separation, consolidation, merging, being merged; restructuring, building or transformation of joint-stock company, investment of company; buying shares or investing joint-stock company with fixed assets such as house, machine and equipment or intangible assets such as trademark, patent, exclusive technology, land use right; transaction of property right, operation right by leasing, contracting, joint operation, trusteeship, etc; alteration of any other institution or change of operation nature, it shall notify the Creditor in writing in advance.
- (5) (5) Before performance of obligations hereunder is finished, if the Creditor demands addition or replacement of the mode and main part of guaranty, the Guarantor shall guarantee it would provide new mode and main part of guaranty acceptable to the Creditor.
- (6) The Guarantor shall guarantee it would notify the Creditor in writing immediately in case of breach event which occurs hereunder, and under contract, guarantee contract or other contract it signs with any department or institution of the Creditor, other bank, non-bank financial institution or unit.
- (7) If the Guarantor makes any registration of setup, alteration or cancellation in national administration for industry and commerce or other related department of the state, it would notify the Creditor before application and deliver related registration copy to the Creditor immediately after registration.

## Article Ten Modification of Guaranteed Master Contract

The Guarantor shall confirm, if the Creditor and the Debtor alters master contract through agreement, it shall be deemed that it has got approval of the Guarantor in advance. There is no need to notify the Guarantor, and the guarantee liability of the Guarantor would not be reduced and exempted hereby.

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### **Article Eleven Liability for Breach of Contract**

1. In any of following circumstance, it shall be breach of the Guarantor:
  - (1) The Guarantor does not perform statement and guarantee made in Article Nine hereunder;
  - (2) Credit status of the Guarantor worsens or other event weakening guaranty capability occurs;
  - (3) The Guarantor violates other obligations stipulated hereunder.
2. When the Guarantor breaches the contract, the Creditor shall be entitled to adopt one or multiple measures as follows, meanwhile the Guarantor irrevocably authorizes the Creditor to exercise measures in (7) of this article without legal procedures:
  - (1) Rectifying breach within a stipulated term;
  - (2) Requiring the Guarantor to provide new and effective guaranty;
  - (3) Announcing the term of main debt is matured ahead of schedule and requiring the Guarantor to assume joint and several liability of guarantee;
  - (4) Requiring the Guarantor to pay default fine of 5% of guaranteed maximum principal quota;
  - (5) Requiring the Guarantor to compensate for economic loss which the default fine is not enough to compensate for;
  - (6) Canceling the act the Guarantor damages the interests of the Creditor by law;
  - (7) Deducting money from any account of the Guarantor to pay off the debts within the scope of guarantee;
  - (8) Taking legal measures to investigate for joint and several liability of guarantee, liability for breach and related compensation liability the Guarantor shall assume within guarantee scope.

### **Twelve Independence of Contract Effectiveness**

The effectiveness hereof shall be independent from master contract. All or part of invalidity of the master contract does not affect effectiveness of this contract. If the master contract is confirmed invalid, the Guarantor shall still assume joint and several liability of guarantee for debts which are incurred by the Debtor for restitution of property or compensation for loss.

### **Article Thirteen Notice**

1. Any notice or all communication and contact information of either party hereunder shall be delivered to the other party in writing according to the address or other contact way indicated hereunder.
  2. If above-mentioned contact way of either party hereunder changes, it shall notify the other party immediately.
-



3. Any notice or communication and contact, only if it is sent to above-mentioned address (altered address if the address is altered), shall be deemed as received on following dates:
  - (1) If it is letter, it shall be 5 working days from the date it is sent by registered mail;
  - (2) If it is express mail, it shall be 3 working days after it is sent;
  - (3) If it is fax, it shall be the date of sending;
  - (4) If it is sent by courier, it shall be the date the recipient signs for receiving it.

#### **Article Fourteen Mode of Dispute Solution**

The contract's conclusion, effectiveness, interpretation, performance and dispute solution shall be all subject to laws of the People's Republic of China.

If any dispute comes out in the course of performing the contract, it may be solved through negotiation; if negotiation does not work, it shall be solved in following mode 1.

1. Filing a lawsuit to People's Court in the place where the Creditor is;
2. Submitting it to                      Arbitration Commission to be arbitrated according to arbitration rules of the commission which are effective when it is arbitrated. The arbitration judgment shall be final and binding upon both parties.

During the period of lawsuit or arbitration, articles hereunder not involved with the part of dispute shall be still performed.

#### **Article Fifteen Effectiveness of Contract**

1. The contract shall take effect from the date it is signed by both parties.
2. After the contract takes effect, with regard to master contracts signed by the Creditor and above-mentioned Debtor, the Guarantor does not need to confirm them one by one unless it is required by the Creditor.

#### **Article Sixteen Contract Text**

The contract shall be in \_\_\_\_\_ original copies, parties hereto and \_\_\_\_\_ shall hold one respectively.

#### **Article Seventeen Miscellaneous**

1. Within the period stipulated by Article Three 1., series of contracts, agreements and other legal documents signed when the Creditor and the Debtor form the relationship of claims and debts, shall be confirmed in related contracts, agreements and other legal documents, if this contract does not provide guarantee to them.
  2. The Guarantor agrees, if the discount business (including rediscount) of trade acceptance that is accepted or endorsed by the Debtor is handled in the Creditor's through the bearer within the valid period of guarantee line, the discount agreement between the bearer and the Creditor shall be deemed as master contract guaranteed by this contract and in the guarantee scope of this contract. The Guarantor agrees to assume joint and several liability of guarantee according to provision of this contract.
-

3. Application of letter of credit (namely, irrevocable documentary credit application) and letter of credit opened under it and its modification, which the Debtor submits to the Creditor within valid period of the guarantee line, shall be master contract of this contract and in the guarantee scope of this contract. The Guarantor agrees to assume joint and several liability of guarantee according to provision of this contract.
4. The Guarantor shall promise: when the Debtor does not perform debts as stipulated, not matter if the Creditor has other guaranty (including but not limited to guarantee, mortgage, pledge, letter of guarantee, standby letter of credit and other guarantee mode) to claims under master contract, the Creditor shall be entitled to directly require the Guarantor to assume all guarantee responsibility hereunder, without exercise of other guaranty right in advance.

#### **Article Eighteen Other Provisions**

(No text below the page)

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The Guarantor has read through foregoing articles and the Creditor has make related explanations at the request of the Guarantor who has no objection to all content.

Guarantor (official seal/signature)

Creditor (unit/seal)

/seal/ Jiangsu Xinde Asset Management Co., Ltd.

/seal/ Nanjing Branch of Evergrowing Bank Co., Ltd.

Legal representative (principal) or authorized representative  
(signature or seal)

Principal or authorized representative  
(signature or seal)

/seal/ Lu Tingxiu

/seal/ Yang Qiang

Signature date: January 4, 2011

Signature date: January 4, 2011

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**Maximum Guarantee Contract**  
**(Applicable to Unlimited Guarantee Amount Contract)**



EVERGROWING BANK

Signature place: \_\_\_\_\_, China

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No.

2012 Heng Yin Gao Bao Zi No.

0210228048

Maximum Guarantee Contract

Important Notes

The Guarantor shall carefully read the whole text of the contract, especially articles indicated with the mark ■■. In case of any doubts, please submit them to the Creditor in time for explanations.

Guarantor: Jiangsu Xinde Asset Management Co., Ltd.

Legal representative (principal): Lu Tingxiu

Certificate type: \_\_\_\_\_ Certificate No.:

Legal (household register) address: No.6, Shuige Road, Jiangning Economic & Technological Development Zone

Correspondence address: the same as above Post code:

Contact Tel:

Creditor: Nanjing Branch of Evergrowing Bank Co., Ltd.

Principal: Yang Qiang

Correspondence address: No. 188, Changjiang Road Post code: 210018

Contact Tel: 025-86807639 Fax:

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Whereas: the Creditor has provided or will provide a series of credit granting to (hereinafter referred to as “the Debtor”) to China Sunergy (Nanjing) Co., Ltd., in order to guarantee enforcement of claims of the Creditor to the Debtor on the basis of this credit granting, the Guarantor is willing to provide maximum amount of Guarantee guaranty.

To define rights and obligations of both parties, on the basis of related laws and regulations such as *Contract Law of the People’s Republic of China* and *Guaranty Law of the People’s Republic of China* , the Guarantor and the Creditor hereby conclude this contract through negotiation on the basis of willingness and equality.

#### **Article 1 Principal Claim Guaranteed**

The Guarantor provides maximum amount of Guarantee for the claims under all credit granting business contracts (hereinafter referred to as “Master Contract”) the Creditor and the Debtor executed in the period from February 28, 2012 to February 28, 2013 for the purpose of comprehensive credit granting from the Creditor to the Debtor for purchasing raw materials.

The currency type, principal amount and interest rate of Creditor’s claim, term of debts of the Debtor, etc are subject to provisions of master contract.

#### **Article 2 Maximum Claim Principal of Guarantee**

The maximum balance of principal claim guaranteed by the Guarantor hereunder is (currency type and amount in capital) Renminbi one hundred and ten million yuan only.

“Principal” refers to debt principal incurred when the Debtor transacts business, including but not limited to loan principal of domestic and foreign currency which the Debtor shall pay off, trade financing principal, bank acceptance payment, note discount fund, advances under letter of credit, debt principal the Creditor assumes the responsibility of guaranty for the Debtor, etc.

#### **Article 3 Scope of Guarantee**

The scope of Guarantee shall be principal and interest, compound interest, interest penalty, default fine, compensation for damage and expenses for enforcing claim. The expenses for enforcing claim include but are not limited to collection fee, lawsuit fee (or arbitration fee), maintenance cost, announcement fee, execution fee, attorney fee, business trip fee and other expenses.

#### **Article 4 Form of Guarantee**

The Guarantee hereunder represents a joint and several liability.

#### **Article 5 Debt**

5.1 When any of following events happens, the Creditor may directly propose all claims under master contract to the Guarantor:

- (1) The last principal claim under master contract is matured;
  - (2) The Creditor and the Guarantor are declared bankrupt or cancelled;
  - (3) Other circumstances the Creditor thinks it may enforce claim.
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- 5.2 The principal claim incurred before the Creditor proposes claims to the Guarantor on the basis of Article 5.1 hereunder and on that very day, and interest, compounded interest, interest penalty, and expenses the Creditor enforces claims and other related expenses incurred consecutively until the Guarantor assumes responsibility shall be all deemed in the scope of contract guaranty.

The occurrence of principal claim refers to the Creditor issuing loans, financing fund or opening bank acceptance, letter of credit (including domestic letter of credit ) or security bond (including standby letter of credit), etc.

#### **Article 6 Term of Guarantee**

- 6.1 Term of Guarantee is respectively calculated on the basis of the term of debts stipulated by every master contract. The term of Guarantee under opening bank acceptance, letter of credit and security bond shall be calculated on the basis of the date of advances by the Creditor.
- 6.2 The term of Guarantee under every master contract is: from maturity date of debts stipulated by that master contract (or the date of advances by the Creditor) to two years after maturity date of debts stipulated by the master contract which is finally matured among all master contracts (or the date of advances by the Creditor).
- 6.3 Where master contract stipulates the Debtor may perform debts by stages, the term of Guarantee of debts at every stage under that master contract shall be calculated respectively, from maturity date of debts at that stage (or the date of advances by the Creditor) to two years after maturity date of debts at the last stage under that contract (or the date of advances by Creditor).
- 6.4 Where the Creditor announces the debts under any master contract are matured earlier, the earlier maturity date announced by the Creditor shall be maturity date of debts.

#### **■■ Article 7 Representations and Warranties of Guarantor**

- 7.1 Where the Guarantor is not natural person, the Guarantor shall be established by law and existing legally, have all necessary capacity for rights and could perform obligations hereof and assume civil responsibility individually.
- 7.2 Where the Guarantor is natural person, the Guarantor shall have capacity for civil rights and full civil capacity and could perform duties hereof and assume civil responsibility individually.
- 7.3 All documents, data and information the Guarantor provides the Creditor with shall be true, complete and effective.
- 7.4 Signature and performance of the contract are true declaration of the intention of the Guarantor and must pass through all necessary agreement, approval and authorization and have no flaw in any law.
- 7.5 When the contract is signed, the Creditor is not or is not willing to become shareholder of the Guarantor or “Actual Controller” defined by *Company Law* , or, if the Debtor is shareholder of the Guarantor or “Actual Controller” defined by *Company Law* , the Guarantor has provided resolution of the board of shareholders (or shareholder meeting) about offering for security which confirms to provisions of the lender.
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## ■ ■ Article 8 Obligations of Guarantor

- 8.1 When the Debtor does not pay back all or part of loans, financing principal, advances of Creditor or related interest under any master contract in full timely, the Guarantor shall pay all due payables of the Debtor to the Creditor immediately and unconditionally.
- 8.2 The Guarantor shall assist the Creditor in supervision and examination of operational status and financial status (if the Guarantor is not natural person)/income and credit circumstance ( if the Guarantor is natural person), and timely provide all financial statements, other information and data at the request of the Creditor, and guarantee the provided data, documents and information are true, complete, correct and effective.
- 8.3 Before claims under all master contracts are all paid off, when the Guarantor is in any of following items, it shall notify the Creditor in writing at least 30 days in advance and must not take following actions without a written approval of the Creditor:
- (1) Disposing important assets, all or most of assets by leasing, lending, sales, transfer, bestowal, mortgage, pledge or other way;
  - (2) Ownership organization or operation system takes major change, including but not limited to implementation of joint operation, leasing, contract, reform of shareholding co-operative system, reform of corporate system, enterprise sales, consolidation (merger), separation, establishment of branch, joint venture (cooperation), transfer of property rights, capital reduction, etc.
- 8.4 When any of following items may happen or happens, the Guarantor shall notify the Creditor in writing within 7 days:
- (1) Modification of articles of association, change of items of industry & commerce registration, such as enterprise name, legal representative, address, correspondence address or business scope;
  - (2) The Creditor may apply or has applied or plans to apply for bankruptcy;
  - (3) Involving major lawsuit, arbitration or administrative measures;
  - (4) Property preservation or other compulsory measures have been taken to main assets;
  - (5) Suspended production, closing business, shutout for consolidation, dissolution, being cancelled or business license being suspended;
  - (6) The Guarantor or its legal representative, principal, main managerial staff violates or gets involved with violations against laws, regulations or applicable rules of the exchange;
  - (7) The Guarantor provides guaranty to the third party and therefore it has significant negative influence on its operational status, financial status or capacity of performing obligations hereunder;
  - (8) Signing contracts which have significant influence on its operational status and financial status;
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- (9) Making decisions which have significant influence on finance and personnel;
  - (10) Operation runs into difficulty seriously, financial status worsens or other events which have negative influence on operational status, financial status or solvency or economic status of the Guarantor happen;
  - (11) If the Guarantor is natural person, the work and income of the Guarantor take important change or contact information like residence is altered.
- 8.5 Where there is real security for master contract provided by the Debtor or the third party at the same time, the Guarantor agrees: the Creditor is entitled to decide the order of exercising rights by itself and the Debtor is entitled to require the Guarantor to pay all due payables of the Debtor immediately under the condition it does not exercising real right for security in advance; where the Creditor waives or alters real right for security or its right syn-position, the Guarantor shall not be exempted from any responsibility and still assumes responsibility of Guarantee according to provisions hereunder.
- 8.6 Before all claims of the Creditor under all master contracts are paid off in full, the Guarantor does not exercise right of recourse it has due to performance of the contract to the Debtor or other guarantor.
- 8.7 Before all claims of the Creditor under all master contracts are paid off in full, if the Debtor becomes shareholder of the Guarantor or actual controller, the Guarantor would immediately notify the Creditor and provide resolution of the board of shareholders (or shareholder meeting) about offering for security.

## ■ ■ Article 9 Agreements on Deduction

- 9.1 The Guarantor authorizes, when the Debtor or the Guarantor has debts payable, the Creditor shall be entitled to deduct the fund of any account opened in Evergrowing Bank for satisfaction. Under this article the authorization is irrevocable.
- 9.2 The deducted fund is used for satisfying following items in order:
- (1) Due and unpaid expenses;
  - (2) Due and unpaid interest, compounded interest, interest penalty, default fine, and compensation for damage.
  - (3) Due and unpaid debt principal.
- 9.3 Where the currency of deducted fund is different from that of debts needed to be compensated for, the amount of debts shall be converted and compensated for on the basis of exchange rate released by Evergrowing Bank when the fund is deducted.
- 9.4 After deduction, the Creditor shall notify the Guarantor of account No. related to deduction, master contract No., Facility Application No., contract No., deducted amount and outstanding debts.
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**Article 10 Dispute Resolution**

Disputes hereunder shall be filed to the court which has jurisdiction right in the residence of the Creditor. During the period of disputes, every party shall still continue to perform articles not involved with disputes.

**■■ Article 11 Independence of Contract Effectiveness**

The effectiveness hereof is independent from master contract. When master contract or its related articles are invalid, it does not affect effectiveness of this contract. The Guarantor shall assume joint and several liability in respect of restitution responsibility or compensation responsibility of the Debtor after master contract is invalid.

**Article 12 Miscellaneous**

- 12.1 The Guarantor has carefully read master contract and confirmed all articles.
- 12.2 ■■ When the Guarantor dodges supervision of Creditor, defaults guaranteed debts, viciously dodges and invalidate debts, etc, the Creditor shall be entitled to report this kind of action to related unit and announce it in news media.
- 12.3 The Creditor does not bear any obligation of providing credit granting to the Debtor due to the contract.
- 12.4 The contract shall take effect from the date all following conditions are met: (1) if the Guarantor is natural person, the Guarantor signs it; if the Guarantor is not natural person, legal representative (principal) or authorized representative of the Guarantor signs (seals) it and annexes an official seal; (2) principal or authorized representative of the Creditor signs (seals) it and annexes a unit seal.
- 12.5 The original text of the contract shall be in three original copies, the Guarantor, the Creditor and the Debtor shall hold one respectively.

**Article 13 Other Provisions**

(No text below in the page)

The Guarantor has read through foregoing articles and the Creditor has make related explanations at the request of the Guarantor who has no objection to all content.

Guarantor (official seal/signature)

Creditor (unit/seal)

/seal/ Jiangsu Xinde Asset Management Co., Ltd.

/seal/ Nanjing Branch of Evergrowing Bank Co., Ltd.

Legal representative (principal) or authorized representative  
(signature or seal)

Principal or authorized representative  
(signature or seal)

/seal/ Lu Tingxiu

/seal/ Yang Qiang

Signature date: February 28, 2012

Signature date: February 28, 2012

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**Security Agreement on Maximum Amount Guarantee**

No:

Guarantor: China Electric Equipment Group Co., Ltd. (hereafter refers to as "Party A")

Guarantee: China Sunergy (Nanjing) Co., Ltd. and its subsidiary (hereafter refers to as "Party B")

Party B needs the foreign financing loan in order to expand the production and management. Party A shall voluntarily provide the guarantee for the relevant creditor's right that is formed between and by the Party B and lender. Therefore, in accordance with Contract Law, Security Law and the pertinent provisions of relevant laws and regulations, Party A and B conclude and enter into this agreement and jointly abide by such agreement through the full consultation.

1. The maximum limit of the guarantee under this agreement is: RMB 2.5 billion (refers to the loan actually formed in any time within the term hereof, total amount guaranteed is less than 2.5 billion yuan).

2. The term of this agreement shall expire on December 31, 2015; with the official confirmation of both parties, from January 1, 2011 to the date of this agreement, all loan amounts that Party B has generated in actual term shall be covered under this agreement. Party A agrees to provide the guarantee required by Party B.

3. The cost of guarantee: None.

4. Governing law: this agreement shall apply for Law of the People's Republic of China.

5. Important events: where the ownership structure or control power of Party B has the major changes, Party A shall be entitled to unilaterally notify to terminate this agreement; with respect to the existing guarantee under this agreement, Party B shall be obligated to repay the loan Party A guarantees in advance or provide Party A with the counter guarantee within 30 days upon the date of termination of this agreement.

6. Settlement of disputes: all disputes arising from the effectiveness, performance and interpretation of this agreement shall be settled friendly by both parties. In case that no consultation reaches, it shall be governed by the People's Court of First Instance within the jurisdiction where Party A is located. The relevant expenses occurred from the litigation (including counsel fee, travel expense, forensics charge, notarial fees, litigation costs, etc.) shall be borne by the failing party.

7. This agreement shall go into effect from the date of execution and sealing by both parties. Any matters not covered hereby shall be consulted by both parties. The supplementary agreement shall be signed and have the same effect with this agreement.

8. This agreement shall be in duplicate, with each party holding one with the same effect.

Party A: China Electric Equipment Group Co., Ltd.  
Authorized representative  
Date: April 12, 2012

Party B: China Sunergy (Nanjing) Co., Ltd.  
Authorized representative  
Date:

/seal/ China Electric Equipment Group Co., Ltd.

/seal/ China Sunergy (Nanjing) Co., Ltd.

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## **Facility Lease Agreement**

**Contract No.:XMO12021**

Lessor: CEEG (Nanjing) Special Transformer Co., Ltd. (hereinafter referred to as "Party A")

Lessee: CEEG (Nanjing) Renewable Energy Co., Ltd. (hereinafter referred to as "Party B")

To solve problem of production and office of Party B, Party A and Party B are willing to sign following leasing agreement over the matter of production factory lease on the basis of equality, mutual benefit and negotiation.

### **Article 1 Leased Item and Function**

Party A leases new energy factory (22,568 m<sup>2</sup>) and auxiliary warehouse (2,931.6m<sup>2</sup>), canteen (2,000m<sup>2</sup>) to Party B for use. Party B agrees to rent this item. The lease item is used as production, office, storage and canteen.

### **Article 2 Lease Term and Rent Standard**

(1) The lease term of factory shall be from May 1, 2011 to August 30, 2011; the lease term of auxiliary warehouse shall be from May 1, 2011 to April 30, 2014; the lease term of canteen shall be from May 1, 2011 to August 30, 2014.

(2) The rent above shall be calculated at RMB 144/m<sup>2</sup>. The total rent of warehouse in 2011 is two hundred and eighty one thousand, four hundred and thirty three yuan and six chiao only (RMB 281,433.6), the total rent of factory in 2011 is one million and eighty three thousand and two hundred and sixty four yuan only (RMB1,083,264), the total rent of canteen in 2011 is ninety six thousand yuan only (RMB96,000). The rent shall be settled once annually (if it is less than one month, it is calculated according to the percentage of lease days). Party A produces an invoice of total annual rent to Party B.

### **Article 3 Agreement on Payment of Water, Electricity and Heat Supply Expenses**

Party B installs related water meter and electricity meter and the asset is attributed to Party B. From the date both parties sign the agreement and finish handover formality, Party B shall pay water and electricity expense by itself according to amounts of water meter and electricity meter.

Article 4 Party B is responsible for property management of interior of leased item, and Party A is responsible for property management of public region, surrounding roads and greening.

### **Article 5 Rights and Obligations of Both Parties**

Rights and Obligations of Party A:

(1) Party A shall be entitled to collect rent and related expenses as stipulated;

(2) Party A shall be entitled to examine quality and use of leased factory periodically and properly, but it must get approval of Party B in advance and must not disturb normal production, living order of staff of Party B.

Rights and Obligations of Party B:

(1) Party B shall be entitled to use leased factory as stipulated and assure the lease factory is in sound condition;

(2) Without a written approval of Party A, Party B must not arbitrarily remold leased factory and must not demolish, change and damage architecture structure. With regard to any structural remolding and decoration, Party B must provide Party A with one construction drawing and must get a written approval from Party A before it can start construction. After the lease is over, Party A shall be entitled to require Party B to restore original appearance of leased item;

(3) Party B must not alter the function of leased factory without a written approval of Party A.

(4) Party B must not sub-lease the leased factory to other person without a written approval of Party A.

(5) Party A must not engage in illegal activities and place prohibited goods, must not damaged leased factory and auxiliary facilities, or Party A shall be entitled to dissolve the agreement;

(6) Party A shall pay rent and other expenses according to provisions of the agreement in time;

(7) If Party B and staff assigned by Party B cause personal or property losses of themselves or others intentionally or due to mistakes, Party A doesn't bear any responsibility.

Article 6 Maintenance and Addition to Leased Item

(1) Within lease term, in case of natural damage and failure of leased factory and auxiliary facilities, Party A shall be responsible for repairing them and guarantee normal use of Party B.

(2) Within lease term, Party B may add use facilities of the factory and decorate leased factory on the basis of use demand.

Article 7 Liability for Breach of Contract

(1) Liability for Breach of Party B

a. If Party B arbitrarily remolds the leased item so that its structure is damaged without a written approval of Party A, it shall compensate corresponding loss.

b. If Party B damages leased item due to improper use of leased item, it shall compensate corresponding loss of Party A.

(2) Liability for Breach of Party A

If Party A causes loss of Party B due to violation against articles hereunder, it shall assume corresponding liability.

(3) In case of natural disaster events due to force majeure, neither party bears liability to the other party. However, after the event of force majeure disappears, the party shall continue to perform the contract if it is performable; if it isn't performable, the agreement shall be dissolved, and both parties shall still settled incurred related rent and expense.

#### Article 8 Settlement

(1) Within the lease term, either the agreement is dissolved or terminated due to expiration, the rent and management fee shall be still calculated on the basis of standard stipulated hereunder until the date the leased item is returned to Party A.

(2) When Party B returns the leased item, related expenses such as electricity fee and water fee shall be settled in time until the day of return.

#### Article 9 Renewal

Before lease period hereof is expired, if Party B doesn't notify Party A about termination of the lease agreement by written notice 30 days prior to expiration of lease term, then the agreement shall be automatically postponed, but the lease price shall be re-decided by both parties on the basis of market price, and neither party must not bring up requirement of over 10% market price.

#### Article 10 Other Provisions

(1) The agreement shall take effect from the date both parties sign and seal it. Its validity term shall be until rights and obligations of both parties are performed.

(2) With regard to anything unmentioned in the agreement, both parties may conclude a supplemental agreement through negotiation and the supplemental agreement shall have the same legal force as the agreement.

(3) The agreement shall take effect from the date of signature; it shall be in 2 original copies, and Party A and Party B shall hold one respectively.

#### Article 11 Solution of Disputes

In case of disputes due to performance of the agreement, both parties shall solve it through negotiation. If negotiation doesn't work, either party may file a lawsuit to the people's court in the place where leased factory is.

Signature date of agreement: May 1, 2011, Nanjing

Party A: CEEG (Nanjing) Special Transformer Co., Ltd.

/seal/ CEEG (Nanjing) Special Transformer Co., Ltd.

Representative (signature):

Party B: CEEG (Nanjing) Renewable Energy Co., Ltd.



/seal/ CEEG (Nanjing) Renewable Energy Co., Ltd.

Representative (signature):



# Facility Lease Agreement of China Electronic Nanjing Science Technology Park

Lessor: CEEG (Nanjing) Special Transformer Co., Ltd.

Lessee: China Sunergy (Nanjing) Co., Ltd.

On the basis of Contract Law of the People's Republic of China and related provisions, to define relationship of rights and obligations of the lessor and the lessee, both parties sign this contract through negotiation.

Article 1 Leased Property: Factory and part of offices inside the company located in 6#, Shuige Road, Jiangning Development Zone, Nanjing.

Article 2 Lease Term: The lease term is 3 years, the lessor delivers the factory to the lessee for use from October 1, 2011 to September 30, 2014.

After above-mentioned lease term is expired, if the lessor continues the lease, the lessee shall have preferential right under the same condition.

Article 3 Rent and Rental Payment Term: The rent is calculated at RMB 12/m<sup>2</sup> per month, the size is RMB 3573.76m<sup>2</sup>, and the annual rent is RMB514,621.44. From 2012 on, annual rent is settled on September 30 every year. (The rent mainly includes water and electricity fee, telephone fee and corresponding taxes.)

Article 4 The expenses incurred by maintenance and decoration of leased property during the lease term shall be all paid by the lessee.

Article 5 Alteration of Lessor and Lessee:

(1) During lease term, if the lessor transfers ownership of leased property to the third party, it doesn't need to get approval from the lessee, but it shall tell the lessee about circumstance of ownership transfer. After ownership is transferred, the party that as acquired ownership of leased property immediately becomes definite lessor of the contract, enjoys rights or original lessor and assumes obligations of original lessor as well.

(2) When the lessor sells the property (during the lease term) It shall notify the lessee in advance. Under the same condition the lessee shall have preemptive right.

(3) If the lessee sub-leases the leased property to the third party, it must get approval of the lessee in advance.

Article 6 Liability for Breach of Contract: If either party hereof violates above-mentioned provisions, it shall pay half-rent and related taxes and dues as liquidated damages.

Article 7 Mode of solving contract disputes: Disputes shall be solved by both parties through negotiation.

Article 8 When the stipulated lease term is expired, if both parties have no objection, the contract shall be automatically postponed.

Article 9 Other unmentioned matters shall be all negotiated by both parties together and supplemental agreement shall be made. The supplemental agreement shall be the same valid as the contract.

Article 10 The contract shall be in 2 original copies, either party shall have one copy and both copies shall have the same legal force.

Lessor (official seal)

Lessee(official seal)

/seal/ CEEG (Nanjing) Special Transformer Co., Ltd. (seal)

/seal/ CEEG (Nanjing) Special Transformer Co., Ltd. (seal)

Legal representative or authorized representative (signature)

Legal representative or authorized representative (signature)

Date

Date



Contract No.: 3210812011CR0093

Electronic Supervision No.: 3210812011B00966

**Contract for Assignment of Land Use Right of  
State-owned Construction land**

Formulated by                      Ministry of Land and Resources of the People’s Republic of China  
   State Administration for Industry and Commerce of the People's Republic of China

Contract for Assignment of Land Use Right of State-owned Construction land

Parties to this Contract:

Assignor: Yizheng Land and Resources Bureau

Postal Address: No.123 North of Gongnong Road, Yizheng

Zip Code: 211400

Tel: 0514-83417993;

Fax: 0514-83417997;

Opening Bank:

Account No.:

Assignee: China Sunergy (Yangzhou) Co., Ltd.

Postal Address:

Zip Code: 211400

Tel: 0514-89388008

Fax:

Opening Bank:

Account No.:

## Chapter 1 General Provisions

Article 1 This Contract is made and entered into by and between the parties in accordance with provisions of Real Right Law of the People's Republic of China, Contract Law of the People's Republic of China, Law of the People's Republic of China on Land Administration, Law of the People's Republic of China on Urban Real Estate Administration and other laws, relevant administrative regulations and land supply policies under the principle of equality, free will, compensation and good faith.

Article 2 The ownership of the land to be assigned remains with the People's Republic of China. The Assignor assigns the rights to use the state-owned construction land as authorized by law. The underground resources and hidden properties are not within the scope of assignment of the right to use the state-owned construction land.

Article 3 The Assignee enjoys the right to possess, use, benefit from and lawfully dispose the state-owned construction land obtained according to law within the term of assignment, and has the right to make use of such land to construct buildings, structures and ancillary facilities according to law.

## Chapter 2 Delivery of Land to be Assigned and Payment of Assignment Price

Article 4 The number of land parcel to be assigned hereunder is 2011 (industry)-26, the total area of such land parcel (in words) is Eighty Two Thousand Nine Hundred and Five square meters (in figures: 82905 square meters), and the area of the land parcel to be assigned (in words) is Eighty Two Thousand Nine Hundred and Five square meters (in figures: 82905 square meters).

The land parcel to be assigned hereunder is located at Baozhuang Team, Dayi Team, Xinsi Team and Chuzhuang Team of Yuejiang Village Collectivity, Shieryu Office.

The ichnographic boundary of the land parcel to be assigned hereunder is east side of Mintai Street, Development Zone. See the ichnographic boundary map of the land parcel to be assigned in Annex 1.

The vertical limits of the land parcel to be assigned hereunder is to take / as its upper limit and to take / as its lower limit with the altitude difference of / meters. See the vertical limits of the land parcel to be assigned in Annex 2.

The space range of the land parcel to be assigned refers to the closed space formed by the vertical plane composed of the aforesaid boundary points and the elevation plane composed of the upper and lower limits.

Article 5 The use purpose of the land parcel to be assigned hereunder is for industry land.

Article 6 The Assignor agrees to deliver the land parcel to be assigned to the Assignee prior to May 17, 2012. The Assignor agrees that such land parcel shall meet the following land conditions as specified in Paragraph 1 of this Article at the time of delivery of land:

1. The ground level shall be changed to a natural smooth horizontal surface, and the line rod shall be removed by the Assignee on its own. The surrounding infrastructure shall be as it was at the time of listing.

2. Current land conditions /.

Article 7 The term of assignment of the right to use the state-owned construction land under this Contract is 50 years, calculating from the date of delivery of land as agreed in Article 6 hereof. In case of application for completion of the formalities on originally allotted (or leased) state-owned construction land, the term of assignment shall be calculated from the date of signing of the contract.

Article 8 the assignment price of the right to use the state-owned construction land of the land parcel hereunder shall be (in words) RMB Eighteen Million Four Hundred and Ten Thousand Yuan Only (in figures: 18,410,000yuan), and the amount per square meter is (in words) RMB Two Hundred and Twenty Two Point Zero Six Yuan (in figures: 222.06yuan).

Article 9 the deposit of the land parcel hereunder shall be (in words) RMB Three Million Six Hundred Eighty Thousand Yuan Only (in figures: 3,680,000yuan), and may offset part of the payment for assignment price.

Article 10 The Assignee agrees to pay the assignment price for the right to use the state-owned construction land to the Assignor according to provisions of Paragraph 1 of this Article:

1. The assignment price for the right to use the state-owned construction land shall be paid up in lump sum within 10 days from the date of this Contract;

2. The assignment price for the right to use state-owned construction land shall be paid by 1 installment according to the following time and amount:

First Installment: In words: RMB Eighteen Million Four Hundred and Ten Thousand Yuan Only (in figures: 18,410,000yuan); payment time: before November 27, 2011.

Second Installment: In words: RMB    (in figures:    yuan); payment time: before   .

Third Installment: In words: RMB    (in figures:    yuan); payment time: before   .

Fourth Installment: In words: RMB    (in figures:    yuan); payment time: before   .

In case the assignment price for the right to use state-owned construction land is paid by installments, the Assignee, when paying the second and each subsequent installment of assignment price, agrees to pay interests to the Assignor at the loan rate published by the People's Bank of China on the date when the first installment of land assignment price is paid.

Article 11 The Assignee shall, after completion of payment for assignment price for this land parcel in full according to this Contract, apply for registration of assignment of the right to use state-owned construction land by presenting this Contract and relevant supporting materials including the payment receipt of assignment price.

### Chapter 3 Development, Construction and Utilization of Land

Article 12 The Assignee agrees with the development and investment intensity of the land parcel hereunder as specified in Paragraph 1 of this Article:

1. Where the land parcel hereunder is used for construction of industrial projects, the Assignee agrees the aggregate investment of fixed assets in the project of the land parcel hereunder shall not be less than the approved or registered amount, i.e. (in words) RMB Three Hundred and Seventy-five Million Yuan (in figures: 375,000,000yuan), and the investment intensity shall not be less than (in words) RMB Four Thousand Five Hundred Twenty Three Point Two Five Yuan (in figures: 4,523.249502yuan). The aggregate investment of fixed assets in construction project of the land parcel hereunder includes buildings, structures and ancillary facilities, equipment investment and assignment price.

2. Where the land parcel hereunder is used for construction of non-industrial projects, the Assignee agrees the total amount of development and investment in the land parcel hereunder shall not be less than (in words) RMB / yuan (in figures: / yuan).

Article 13 The new buildings, structures and their ancillary facilities established by the Assignee within the scope of the land parcel hereunder shall meet the planning conditions for land parcel to be assigned as determined by municipal (county) planning administration, including:

Nature of Main Building: Industry;

Nature of Ancillary Buildings: according to requirement of the planning;

Total Building Area: 58,033.50 square meters;

Floor Area Ratio shall not be higher than / and not lower than 0.70;

Building Height Limitation: / meters;

Building Density shall not be higher than / and not lower than 40%;

Greening Rate shall not be higher than 20% and not lower than ;

Other requirements for land utilization are detailed in YiGuiDiShe No. 2011038.

Article 14 The Assignee agrees to develop the land parcel hereunder according to provisions of Paragraph 1 of this Article:

1. The land parcel hereunder is used for construction of industrial projects. In accordance with the planning and design conditions determined by the planning department, the floor area of facilities used for enterprise internal administration and living service within the scope of land parcel to be assigned under this Contract shall not be more than 7% of the area of the land parcel to be assigned, i.e. not more than 5,803.35 square meters, and the building area shall not be more than / square meters. The Assignee agrees not to build non-productive facilities such as complete sets of houses, experts' floor, hotel, guest house and training center within the scope of land parcel to be assigned.

2. The land parcel hereunder is used for construction of residential projects. In accordance with the planning and construction conditions determined by the planning and construction administration, the total number of apartments constructed within the scope of land parcel to be assigned under this Contract shall not be less than / sets, of which, the apartments with the building area of less than 90 square meters shall not be less than / sets. The requirement of dwelling size of the apartments shall be /. The land area used for developing apartments under 90 square meters within the scope of the land parcel hereunder shall not be less than / % of the total construction area of the land parcel. The Assignee agrees to dispose the supporting indemnificatory housing including affordable housing and low-rent housing constructed within the scope of the land parcel hereunder after their completion in the / of the following ways:

- 1) To transfer to the government;
- 2) To be purchased by the government;
- 3) To enforce relevant provisions of the government on administration of construction and sale of affordable housing;
- 4) / ;
- 5) .

Article 15 The Assignee agrees to synchronously construct the following supporting projects within the scope of the land parcel hereunder and transfers them to the government without compensation upon completion thereof:

1. \_\_\_/\_\_\_;
2. \_\_\_;
3. \_\_\_.

Article 16 The Assignee agrees the land construction project hereunder shall commence prior to November 17, 2012 and finish prior to November 17, 2014.

If the commencement can not be on schedule, the Assignee shall submit the application for deferrable construction to the Assignor 30 days in advance. After the deferrable construction is approved by the Assignor, the completion time shall be extended accordingly. However, the term of deferrable construction shall not exceed one year.

Article 17 When doing construction in the land parcel hereunder, the Assignee shall enforce relevant rules to handle the interface and introduction engineering of water, gas, sewer and other facilities with main pipelines and substations outside the land parcel.

The Assignee agrees the entering, passing and crossing of various pipes and pipelines laid by the government for public purposes. However, if the use function of the land parcel is affected therefrom, the government or the constructing party of public utilities shall make reasonable compensation.

Article 18 The Assignee shall utilize the land according to the land use and plot ratio agreed in this Contract, and any alteration thereto is prohibited. If it's required to alter the land use agreed in this Contract within the term of assignment, the parties agree to enforce the provision of Paragraph 1 of this Article:

1. The Assignor shall withdraw the right to use construction land with compensation to the Assignee;
2. To go through the approval formalities for alteration to land use, sign the Agreement for Modification of Contract for Assignment of the Right to the Use of State-owned Construction land or resign a Contract for Assignment of the Right to the Use of State-owned Construction land. The Assignee shall make a supplementary payment for the balance between the evaluated market price of right to use construction land under the new land use at the time of approval of alteration and the evaluated market price of right to use construction land under the original land use, and conduct land modification registration.

Article 19 Within the term of use of the land parcel hereunder, the government reserves the right to adjust the planning thereof. In case of change in original planning, the buildings existed in such land parcel will not be affected. However, the alteration, renovation and reconstruction of buildings, structures and their ancillary facilities on this land parcel within the term of use or the renewal application upon expiration of such term must be subject to the planning in force at that time.

Article 20 The Assignor shall not withdraw the right to use state-owned construction land enjoyed by the Assignee according to law before the expiration of the term of use agreed in this Contract. Under special circumstances, where the right to use state-owned construction land is required to be withdrew in advance according to requirement of social public interests, the Assignor shall submit the same for approval according to legal procedure, and compensate the land user according to the value of buildings, structures and their ancillary families on the land at the time of withdraw, the evaluated market price of the right to use state-owned construction land within the remaining term of use, and the direct losses confirmed through appraisal.

#### Chapter 4 Transfer, Lease and Mortgage of Right to use State-owned Construction Land

Article 21 The Assignee is entitled to transfer, lease or mortgage the right to use the state-owned construction land in whole or in part after paying up the assignment price for right to use the state-owned construction land according to this Contract and receiving the State-owned Land Use Certificate. The initial transfer shall meet the conditions of Paragraph 1 of this Article:

1. The investment and development commenced according to this Contract and more than 25% of the total amount of development and investment has been completed;
2. The investment and development commenced according to this Contract and the industrial land or other construction land conditions have been formed.

Article 22 The contracts for transfer, lease and mortgage of right to use the state-owned construction land shall not violate provisions of national laws and regulations and terms of this Contract.

Article 23 With the transfer of the right to use the state-owned construction land in whole or in part, the rights and obligations specified in this Contract and the registration documents shall be transferred accordingly. The term of use of such right to use the state-owned construction land shall be the remainder of the term specified in this Contract minus the number of years in which the original land user used the land.

After the whole or part right to use the state-owned construction land hereunder is leased, the rights and obligations specified in this Contract and the registration documents shall still be borne by the Assignee.

Article 24 If the right to use the state-owned construction land is transferred or mortgaged, the parties thereto shall apply to the land and resources administration for land modification registration by presenting this Contract and corresponding transfer and mortgage contract and state-owned land use certificate.



## Chapter 5 Expiration

Article 25 Upon expiration of the term of use agreed in this Contract, the land user who needs to continue to use the land parcel hereunder shall submit the renewal application to the Assignor at latest one year prior to the expiration of such term. The Assignor shall approval the renewal except as required by the social public benefits to withdrawal the land parcel hereunder.

The term of use of residential construction land will be renewed automatically upon its expiration.

Where the Assignor agrees on the renewal, the land user shall go through compensable land-use formalities including assignment and lease according to law, resign contracts for compensable use of land including assignment and lease, and pay charges for compensable use of land including land assignment price and rent.

Article 26 If the land user applies for renewal upon expiration of land assignment term, and such application isn't approved due to requirement of social public interests, the land user shall return the state-owned land use certificate and conduct cancellation registration of the right to use the state-owned construction land according to provisions. The right to use the state-owned construction land is taken back by the Assignor without compensation. The Assignor and the land user agree to dispose the buildings, structures and their ancillary facilities on the land parcel hereunder according to provision of Paragraph 1 of this Article:

1. The Assignor shall take back the above-ground buildings, structures and their ancillary facilities and compensate the land user according to the residual value of such buildings, structures and their ancillary facilities at the time of taking back;
2. The Assignor shall take back the above-ground buildings, structures and their ancillary facilities without compensation.

Article 27 If the land user doesn't apply for renewal upon the expiration of land assignment term, the land user shall return the state-owned land use certificate and conduct cancellation registration of the right to use the state-owned construction land according to provisions. The right to use the state-owned construction land is taken back by the Assignor without compensation. The buildings, structures and their ancillary facilities on the land parcel hereunder will be taken back by the Assignor without compensation. The land user shall keep the above-ground buildings, structures and their ancillary facilities in good conditions and shall prevent them from human destruction. If the above-ground buildings, structures and their ancillary facilities can not be used normally, the Assignor may require the land user to move or demolish such above-ground buildings, structures and their ancillary facilities and recover the grading of the land.

## Chapter 6 Force Majeure

Article 28 Either of the parties hereto shall be released from liabilities for failure of performance of this Contract in part or in whole due to force majeure, but shall take all necessary remedial measures to reduce the losses caused by force majeure to the extent permitted by the condition. The party shall not be released from liabilities if force majeure occurs during the period of delay in performance.

Article 29 When force majeure occurs, the affected party shall notify the other party within 7 days in writing such as letter, telegraph and fax, and shall submit the report and certificate stating the Contract can not be performed in whole or in part or the performance shall be delayed to the other party within 15 days after occurrence of force majeure.

## Chapter 7 Liability for Breach

Article 30 The Assignee shall pay the assignment price for the right to use state-owned construction land on time according to this Contract. In case the Assignee fails to do so, it shall pay liquidated damages to the Assignor at the rate of 1 % of payment in arrears on a daily basis from the date of late payment. In case the payment is delayed for more than 60 days, and the Assignee still can not pay the assignment price after required by the Assignor, the Assignor shall have the right to terminate the Contract and the Assignee is not entitled to return of deposit. The Assignor may also claim damages from the Assignee.

Article 31 If the Assignee terminates the investigation and construction of this project for any reason attributable to the Assignee, proposes to the Assignor to terminate this Contract and requests returning the land, the Assignor shall, after submitting the same to the people' government who originally approved the land assignment plan for approval and obtaining such approval, return all or part of assignment price (without interests accrued thereon) for the right to use the state-owned construction land other than the deposit agreed in this Contract and take back the right to use the state-owned construction land. The buildings, structures and their ancillary facilities constructed within the scope of such land parcel may not be compensated, and the Assignor may also require the Assignee to remove the constructed buildings, structures and their ancillary facilities and recover the grading of the land. However, if the Assignor is willing to continue to use the constructed buildings, structures and their ancillary facilities within the scope of such land parcel, the Assignee shall be compensated to some extent.

1. If the Assignee makes the application to the Assignor not less than 60 days before the end of one year from commencement date of construction agreed in this Contract, the Assignor shall return the assignment price for the right to use the state-owned construction land to the Assignee after deducting the deposit;
2. If the Assignee makes the application to the Assignor one year after the commencement date of construction but not less than 60 days before the end of two years from such commencement date, the Assignor shall return the remaining assignment price for the right to use the state-owned construction land to the Assignee after deducting the deposit agreed in this Contract and imposing the land idle fee according to relevant provisions.

Article 32 If the land is left unused for more than one year but less than two years for any reason attributable to the Assignee, the Assignee shall pay land idle fee according to law. If the land is left unused for two years and the construction fails to commence, the Assignor has the right to take back the right to use the state-owned construction land without compensation.

Article 33 If the Assignee fails to start up the construction on the date as agreed in this Contract or on other date as separately agreed for deferrable construction, the Assignee shall pay liquidated damages to the Assignor at the rate of 1 % of the total amount of assignment price for the right to use the state-owned construction land for each day of delay, and the Assignor has the right to require the Assignee to continue to perform the Contract.

If the Assignee fails to complete the construction on the date as agreed in this Contract or on other date as separately agreed for deferrable construction, the Assignee shall pay liquidated damages to the Assignor at the rate of 1 % of the total amount of assignment price for the right to use the state-owned construction land for each day of delay.

Article 34 If the total investment of fixed assets, investment intensity and total amount of development and investment of this project fail to meet the standards as agreed in this Contract, the Assignor may require the Assignee to pay liquidated damages equal to such amount of assignment price for the right to use the state-owned construction land as calculated according to the proportion of the actual balance to the indicator of total investment and investment intensity as agreed, and may also require the Assignee to continue to perform the Contract.

Article 35 If any indicator such as the floor area ratio and building density of the land parcel hereunder is lower than the minimum standard as agreed in this Contract, the Assignor may require the Assignee to pay liquidated damages equal to such amount of assignment price for the right to use the state-owned construction land as calculated according to the proportion of the actual balance to the agreed minimum standard, and also has the right to require the Assignee to continue to perform the Contract. If any indicator such as the floor area ratio and building density is higher than the minimum standard as agreed in this Contract, the Assignor has the right to take back such part of area as higher than the maximum standard as agreed and also has the right to require the Assignee to pay liquidated damages equal to such amount of assignment price for the right to use the state-owned construction land as calculated according to the proportion of the actual balance to the agreed standard,

Article 36 If an indicator such as greening rate of industrial construction project, the proportion of land used for enterprise internal administration and living service facilities and the building area of enterprise internal administration and living service facilities is higher than the standard as agreed in this Contract, the Assignee shall pay liquidated damages to the Assignor at the rate of 1 % of the consignment price of the land parcel, and shall demolish corresponding virescence and building facilities on its own.

Article 37 If the Assignee pays the assignment price for the right to use the state-owned construction land according to this Contract, the Assignor must deliver the land on time according to this Contract. If the Assignor fails to provide the land to be assigned on time and causes the delay in possession of the land parcel hereunder by the Assignee, the Assignor shall pay liquidated damages to the Assignee at the rate of 1 % of the assignment price for the right to use the state-owned construction land paid by the Assignee for each day of delay, and the term of use of the land will be calculated from the date of actual delivery of the land. If the Assignor delays to deliver the land for more than 60 days, and fails to deliver such land after required by the Assignee, the Assignee has the right to terminate the Contract. The Assignor shall return the deposit on a double basis and refund the remaining part of the paid assignment price for the right to use the state-owned construction land. The Assignee may also claim damages from the Assignor.

Article 38 If the Assignor fails to deliver the land on schedule or the delivered land fails to meet the land condition as agreed in this Contract or the Assignor changes the land use conditions unilaterally, the Assignee has the right to require the Assignor to perform its obligations according to provisions and compensate the Assignee for direct losses caused by delay in performance. The term of use of the land will be calculated from the date when the agreed land condition is reached.

#### Chapter 8 Applicable Law and Settlement of Dispute

Article 39 The execution, validity, interpretation, performance and settlement of dispute of this Contract apply the law of the People's Republic of China.

Article 40 Any dispute arising from performance of this Contract shall be settled by the parties through consultation. If no agreement is reached through consultation, such dispute shall be settled in such a way as specified in Paragraph 2 of this Article:

1. To submit it to / arbitration commission for arbitration;
2. To bring a lawsuit to the people's court according to law.

#### Chapter 9 Supplementary Provisions

Article 41 The assignment plan for the land parcel hereunder has been approved by Yizheng People's Municipal Government. This Contract will come into force from the date of execution by the parties.

Article 42 The parties hereto warrant that the name, postal address, telephone number, fax number, opening bank and agent filled in this Contract are all true and valid. Either party whose information has any change shall notify the other party in writing within 15 days from the day of change. Otherwise, the liability for failure of timely notification thus incurred shall be borne by the party whose information changes.

Article 43 This Contract and the annexes attached hereto are 18 pages in total, and the Chinese version shall prevail.

Article 44 The price, amount and area in this Contract shall be written in words and in figures. The amount in words shall be consistent with that in figures. In case of discrepancy, the amount in words shall prevail.

Article 45 All matters uncovered by this Contract are subject to separate agreement between the parties, which shall be attached hereto and shall have the same legal effect with this Contract.

Article 46 This Contract is executed in six originals with the Assignor and the Assignee each keeping three originals, which shall be equally authentic.

Assignor (stamp): Yizheng Land and Resources Bureau

Assignee (stamp): China Sunergy (Yangzhou) Co., Ltd.

/seal/ Yizheng Land and Resources Bureau

/seal/ China Sunergy (Yangzhou) Co., Ltd.

Legal Representative (Entrusted Agent)

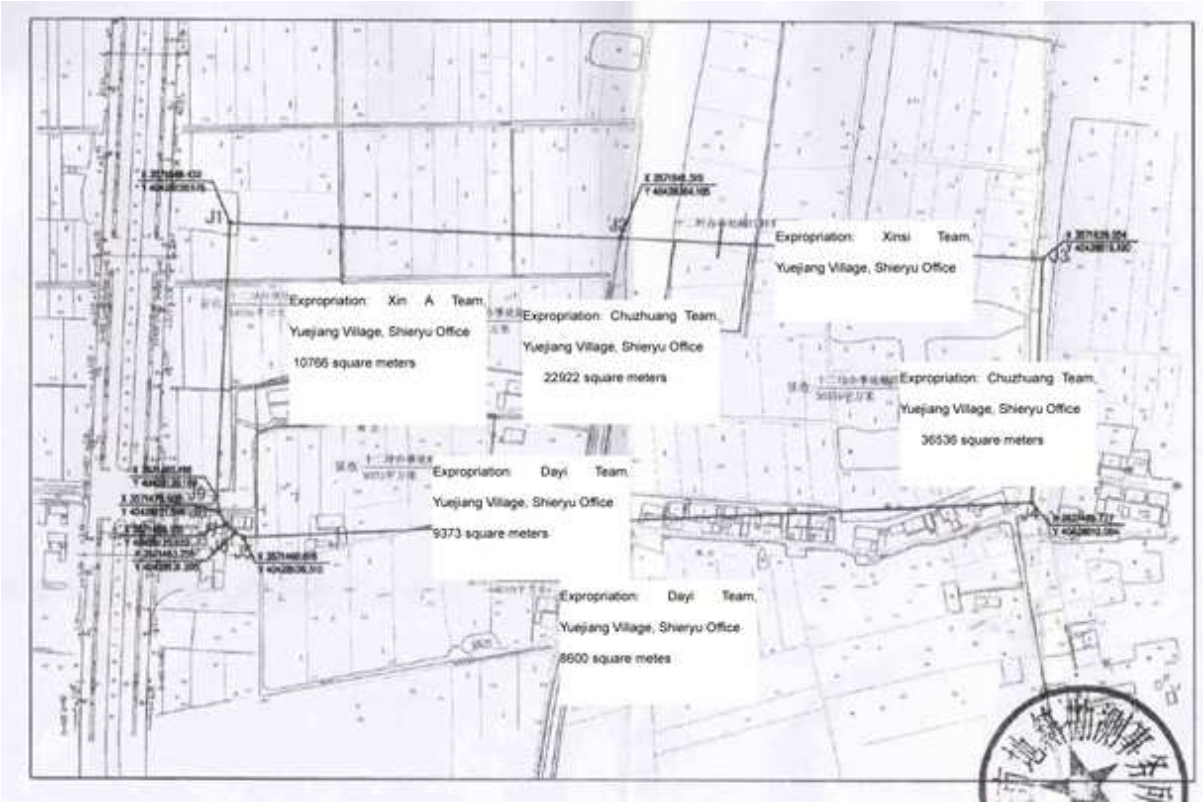
Legal Representative (Entrusted Agent)

(Signature):

(Signature): /s/ Zhang Ling

November 17, 2011

Survey and Demarcation Map of Land Parcel (440) of Yizheng People’s Government

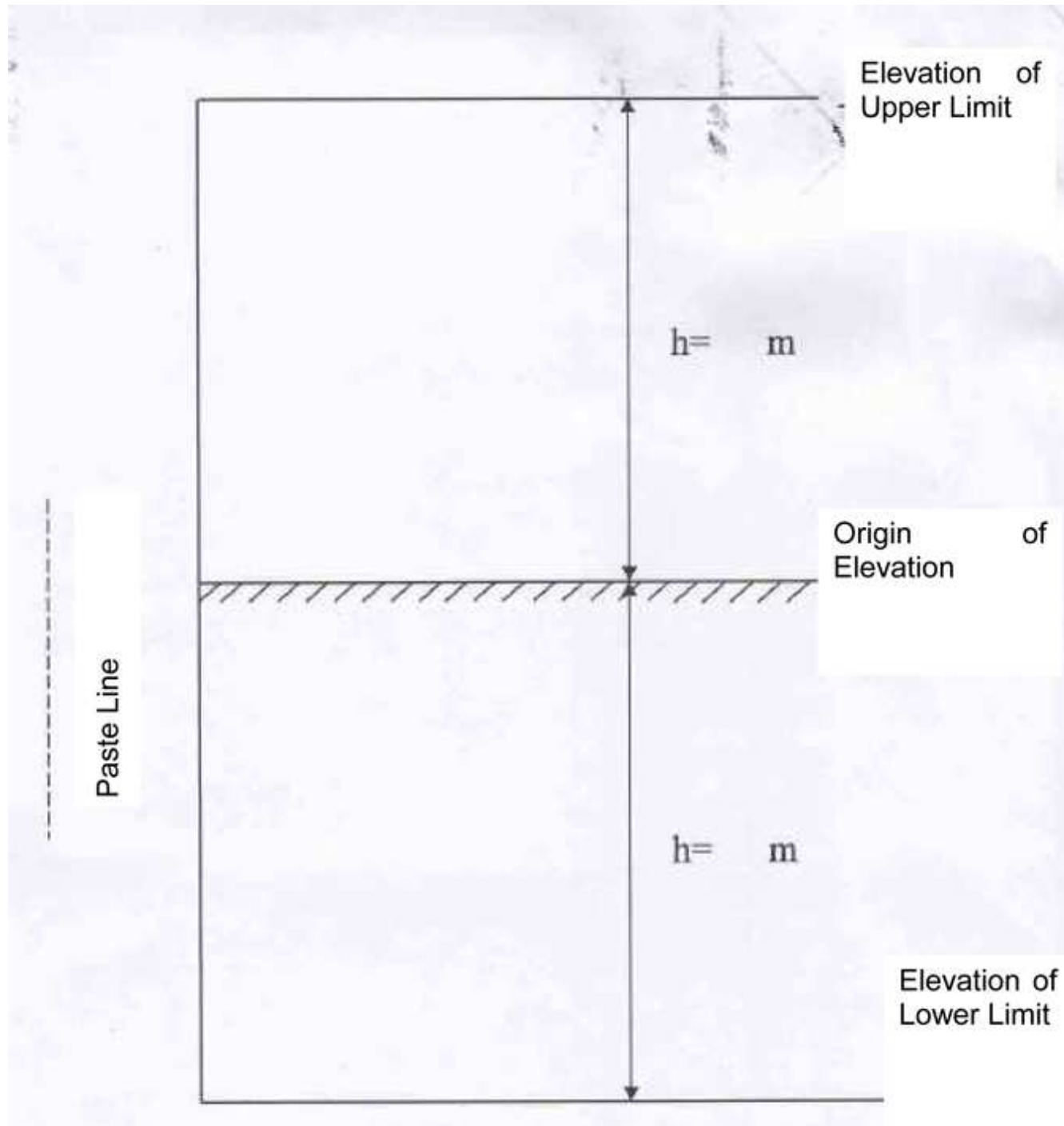


Scale 1: 2000

Plotted in August 2011

## Annex 2

Vertical Limits of the Land Parcel to be assigned



Adopted Elevation System:

Scale1:

Planning and Design Conditions for Construction Land of Yizheng

YiGuiDiShe No. 2011038    Date: October 17, 2011

Name of Construction Project					Location	Economic Development Zone	5	Road	To meet such requirements as drainage, laying of pipelines and personal access.	
Name of Construction Unit			Yizheng Land Transaction Center	Market	Name of Land Parcel	2011(industry)-26 Land Parcel	6	Pipeline	The planning and design of comprehensive pipelines shall conform to provisions of relevant national specifications and standards in force.	
S/N	Planning and Design Conditions			Content			7	Municipal Utilities	To be configured according to relevant specifications and standards.	
1	Nature of Land			Industrial Land			8	Public Facilities	To be configured according to relevant specifications and standards.	
2	Land Scope	Four Boundaries		East of Mintai Street, Economic Development Zone, north of Guomin Road (see specific position in Red Lines Map)			9	Landscape Requirement	To be in harmony with the surrounding landscape.	
		Land Area		The Planned total land area 8.29hectare (the actually measured area shall prevail)			10	Other requirements	1. The building style shall be in harmony with the surrounding constructed buildings. 2. If there is no detailed explanation on technical requirements such as space between buildings, space between buildings and red lines and landscape, the Technical Provisions on City Planning Management of Jiangsu province (version 2004) shall be strictly executed. 3. The planning design unit shall bear corresponding qualifications. 4. The floor area of facilities used for enterprise internal administration and living service of this project shall not be more than 7% of the total land area of the project. It's prohibited to build non-productive facilities such as complete sets of houses, experts' floor, hotel, guest house and training center within the scope of land used for the project. 5. The enclosing walls shall be hollowed-out.	
3	Construction Control	Floor Area Ratio		—						
		Coefficient of Building Occupation		≥40%						
		Greening Rate		—						
		Number of Floors of the Building		—						
		Position of Exits and Entrances		The main exit and entrance shall face Guomin Road.						
		Parking	Motor Vehicle (car)		—					
Non-motor Vehicle (bicycle)			—							
4	Building Setback	Back from Road Line				See details in Red Lines Map	11	Main Submissions	Design Description	necessary verbal descriptions and relevant technical and economic indicators.
									Current Chart	one copy/set

	Back from Land Boundaries	See details in Red Lines Map			General Layout	one copy/set (1:500, the color general layout shall be plotted on the current topographic map)
	Back from Channel Control Line	—			Synthesis Plan of Pipelines	one copy/set
	Others	—			Others	Drawing which can reflect the design idea of the plan; CD of deliverables (the planning specification shall be in word format, graphics files shall be in dwg format and be converted to corresponding jpg format at the same time)
Remarks	1. According to relevant requirements of Article 38 and 39 of Urban and Rural Planning Law of the People's Republic of China, the construction unit must apply for construction land planning license before applying for state-owned land use certificate. 2. Other matters not described in these Conditions shall be subject to relevant national specifications and standards and Technical Provisions on City Planning Management of Jiangsu province (version 2004). In case of contradiction with these Conditions, you are required to contact this Bureau in a timely manner. 3. These Conditions are in quadruplicate with Yizheng Land Market Transaction Center keeping three copies and the fourth copy for file, and will be valid for one year.					

/seal/ Yizheng Municipal Urban and Rural Construction Bureau

/seal/ Yizheng Municipal Land Survey Firm

Contract No.: 3210812011CR0098

Electronic Supervision No.: 3210812011B01040

**Contract for Assignment of Land Use Right of  
State-owned Construction land**

Formulated by                      Ministry of Land and Resources of the People’s Republic of China  
   State Administration for Industry and Commerce of the People's Republic of China



Contract for Assignment of Land Use Right of State-owned Construction land

Parties to this Contract:

Assignor: Yizheng Land and Resources Bureau

Postal Address: No.123 North of Gongnong Road, Yizheng

Zip Code: 211400

Tel: 0514-83417993;

Fax: 0514-83417997;

Opening Bank:

Account No.:

Assignee: China Sunergy (Yangzhou) Co., Ltd.

Postal Address:

Zip Code:

Tel:

Fax:

Opening Bank:

Account No.:

## Chapter 1 General Provisions

Article 1 This Contract is made and entered into by and between the parties in accordance with provisions of Real Right Law of the People's Republic of China, Contract Law of the People's Republic of China, Law of the People's Republic of China on Land Administration, Law of the People's Republic of China on Urban Real Estate Administration and other laws, relevant administrative regulations and land supply policies under the principle of equality, free will, compensation and good faith.

Article 2 The ownership of the land to be assigned remains with the People's Republic of China. The Assignor assigns the rights to use the state-owned construction land as authorized by law. The underground resources and hidden properties are not within the scope of assignment of the right to use the state-owned construction land.

Article 3 The Assignee enjoys the right to possess, use, benefit from and lawfully dispose the state-owned construction land obtained according to law within the term of assignment, and has the right to make use of such land to construct buildings, structures and ancillary facilities according to law.

## Chapter 2 Delivery of Land to be Assigned and Payment of Assignment Price

Article 4 The number of land parcel to be assigned hereunder is 2011 (industry)-40, the total area of such land parcel (in words) is Two Hundred and Sixty Two Thousand Six Hundred and Eighty Six square meters (in figures: 262686 square meters), and the area of the land parcel to be assigned (in words) is Two Hundred and Sixty Two Thousand Six Hundred and Eighty Six square meters (in figures: 262686 square meters).

The land parcel to be assigned hereunder is located at Xinsi Team, Hezhuang Team, Baozhuang Team, Daer Team, Yaozhuang Team, Dayi Team, Chuzhuang Team, Guizhuang Team, Chuzhuang Team and Yuedong Team of Yuejiang Village, Shieryu Office.

The ichnographic boundary of the land parcel to be assigned hereunder is /. See the ichnographic boundary map of the land parcel to be assigned in Annex 1.

The vertical limits of the land parcel to be assigned hereunder is to take / as its upper limit and to take / as its lower limit with the altitude difference of / meters. See the vertical limits of the land parcel to be assigned in Annex 2.

The space range of the land parcel to be assigned refers to the closed space formed by the vertical plane composed of the aforesaid boundary points and the elevation plane composed of the upper and lower limits.

Article 5 The use purpose of the land parcel to be assigned hereunder is for industry land.

Article 6 The Assignor agrees to deliver the land parcel to be assigned to the Assignee prior to May 6, 2012. The Assignor agrees that such land parcel shall meet the following land conditions as specified in Paragraph 1 of this Article at the time of delivery of land:

1. The ground level shall be changed to a natural smooth horizontal surface, and the line rod shall be removed by the Assignee on its own. The surrounding infrastructure shall be as it was at the time of listing.

2. Current land conditions /.

Article 7 The term of assignment of the right to use the state-owned construction land under this Contract is 50 years, calculating from the date of delivery of land as agreed in Article 6 hereof. In case of application for completion of the formalities on originally allotted (or leased) state-owned construction land, the term of assignment shall be calculated from the date of signing of the contract.

Article 8 The assignment price of the right to use the state-owned construction land of the land parcel hereunder shall be (in words) RMB Fifty Eight Million Three Hundred and Twenty Thousand Yuan Only (in figures: 58,320,000yuan), and the amount per square meter is (in words) RMB Two Hundred and Twenty Two Point Zero one Yuan (in figures: 222.01 yuan).

Article 9 The deposit of the land parcel hereunder shall be (in words) RMB Eleven Million Six Hundred Thousand Yuan Only (in figures: 11,600,000yuan), and may offset part of the payment for assignment price.

Article 10 The Assignee agrees to pay the assignment price for the right to use state-owned construction land to the Assignor according to provisions of Paragraph 1 of this Article:

1. The assignment price for the right to use state-owned construction land shall be paid up in lump sum within 10 days from the date of this Contract;

2. The assignment price for the right to use state-owned construction land shall be paid by 1 installment according to the following time and amount:

First Installment: In words: RMB Fifty Eight Million Three Hundred and Twenty Thousand Yuan Only (in figures: 58,320,000yuan); Payment time: before December 16, 2011.

Second Installment: In words: RMB / (in figures: / yuan); payment time: before /.

Third Installment: In words: RMB / (in figures: / yuan); payment time: before /.

Fourth Installment: In words: RMB / (in figures: / yuan); payment time: before /.

In case the assignment price for the right to use state-owned construction land is paid by installments, the Assignee, when paying the second and each subsequent installment of assignment price, agrees to pay interests to the Assignor at the loan rate published by the People's Bank of China on the date when the first installment of land assignment price is paid.

Article 11 The Assignee shall, after completion of payment for assignment price for this land parcel in full according to this Contract, apply for registration of assignment of the right to use state-owned construction land by presenting this Contract and relevant supporting materials including the payment receipt of assignment price.

### Chapter 3 Development, Construction and Utilization of Land

Article 12 The Assignee agrees with the development and investment intensity of the land parcel hereunder as specified in Paragraph 1 of this Article:

1. Where the land parcel hereunder is used for construction of industrial projects, the Assignee agrees the aggregate investment of fixed assets in the project of the land parcel hereunder shall not be less than the approved or registered amount, i.e. (in words) RMB One Billion One Hundred and Eighty Two Million Yuan (in figures: 1,182,000,000yuan), and the investment intensity shall not be less than (in words) RMB Four Thousand Four Hundred and Ninety Nine Point Six Seven Yuan (in figures: 4,499.668806 yuan). The aggregate investment of fixed assets in construction project of the land parcel hereunder includes buildings, structures and ancillary facilities, equipment investment and assignment price.

2. Where the land parcel hereunder is used for construction of non-industrial projects, the Assignee agrees the total amount of development and investment in the land parcel hereunder shall not be less than (in words) RMB / yuan (in figures: / yuan).

Article 13 The new buildings, structures and their ancillary facilities established by the Assignee within the scope of the land parcel hereunder shall meet the planning conditions for land parcel to be assigned as determined by municipal (county) planning administration, including:

Nature of Main Building: Industry;

Nature of Ancillary Buildings: / ;

Total Building Area: 183,880.20 square meters;

Floor Area Ratio shall not be higher than / and not lower than 0.70;

Building Height Limitation: / meters;

Building Density shall not be higher than / and not lower than 40%;

Greening Rate shall not be higher than 20% and not lower than ;

Other requirements for land utilization are detailed in YiGuiDiShe No. 2011040.

Article 14 The Assignee agrees to develop the land parcel hereunder according to provisions of Paragraph 1 of this Article:

1. The land parcel hereunder is used for construction of industrial projects. In accordance with the planning and design conditions determined by the planning department, the floor area of facilities used for enterprise internal administration and living service within the scope of land parcel to be assigned under this Contract shall not be more than 7% of the area of the land parcel to be assigned, i.e. not more than 18388.02 square meters, and the building area shall not be more than    square meters. The Assignee agrees not to build non-productive facilities such as complete sets of houses, experts' floor, hotel, guest house and training center within the scope of land parcel to be assigned.

2. The land parcel hereunder is used for construction of residential projects. In accordance with the planning and construction conditions determined by the planning and construction administration, the total number of apartments constructed within the scope of land parcel to be assigned under this Contract shall not be less than    sets, of which, the apartments with the building area of less than 90 square meters shall not be less than    sets. The requirement of dwelling size of the apartments shall be   . The land area used for developing apartments under 90 square meters within the scope of the land parcel hereunder shall not be less than    % of the total construction area of the land parcel. The Assignee agrees to dispose the supporting indemnificatory housing including affordable housing and low-rent housing constructed within the scope of the land parcel hereunder after their completion in the    of the following ways:

- 1) To transfer to the government;
- 2) To be purchased by the government;
- 3) To enforce relevant provisions of the government on administration of construction and sale of affordable housing;
- 4)   /  ;
- 5)       .

Article 15 The Assignee agrees to synchronously construct the following supporting projects within the scope of the land parcel hereunder and transfers them to the government without compensation upon completion thereof:

1.   /  ;
2.       ;
3.       .

Article 16 The Assignee agrees the land construction project hereunder shall commence prior to December 6, 2012 and finish prior to December 6, 2014.

If the commencement can not be on schedule, the Assignee shall submit the application for deferrable construction to the Assignor 30 days in advance. After the deferrable construction is approved by the Assignor, the completion time shall be extended accordingly. However, the term of deferrable construction shall not exceed one year.

Article 17 When doing construction in the land parcel hereunder, the Assignee shall enforce relevant rules to handle the interface and introduction engineering of water, gas, sewer and other facilities with main pipelines and substations outside the land parcel.

The Assignee agrees the entering, passing and crossing of various pipes and pipelines laid by the government for public purposes. However, if the use function of the land parcel is affected therefrom, the government or the constructing party of public utilities shall make reasonable compensation.

Article 18 The Assignee shall utilize the land according to the land use and plot ratio agreed in this Contract, and any alteration thereto is prohibited. If it's required to alter the land use agreed in this Contract within the term of assignment, the parties agree to enforce the provision of Paragraph 1 of this Article:

1. The Assignor shall withdraw the right to use construction land with compensation to the Assignee;
2. To go through the approval formalities for alteration to land use, sign the Agreement for Modification of Contract for Assignment of the Right to the Use of State-owned Construction land or resign a Contract for Assignment of the Right to the Use of State-owned Construction land. The Assignee shall make a supplementary payment for the balance between the evaluated market price of right to use construction land under the new land use at the time of approval of alteration and the evaluated market price of right to use construction land under the original land use, and conduct land modification registration.

Article 19 Within the term of use of the land parcel hereunder, the government reserves the right to adjust the planning thereof. In case of change in original planning, the buildings existed in such land parcel will not be affected. However, the alteration, renovation and reconstruction of buildings, structures and their ancillary facilities on this land parcel within the term of use or the renewal application upon expiration of such term must be subject to the planning in force at that time.

Article 20 The Assignor shall not withdraw the right to use state-owned construction land enjoyed by the Assignee according to law before the expiration of the term of use agreed in this Contract. Under special circumstances, where the right to use state-owned construction land is required to be withdrew in advance according to requirement of social public interests, the Assignor shall submit the same for approval according to legal procedure, and compensate the land user according to the value of buildings, structures and their ancillary families on the land at the time of withdraw, the evaluated market price of the right to use state-owned construction land within the remaining term of use, and the direct losses confirmed through appraisal.

#### Chapter 4 Transfer, Lease and Mortgage of Right to use State-owned Construction Land

Article 21 The Assignee is entitled to transfer, lease or mortgage the right to use the state-owned construction land in whole or in part after paying up the assignment price for right to use the state-owned construction land according to this Contract and receiving the State-owned Land Use Certificate. The initial transfer shall meet the conditions of Paragraph 1 of this Article:

1. The investment and development commenced according to this Contract and more than 25% of the total amount of development and investment has been completed;
2. The investment and development commenced according to this Contract and the industrial land or other construction land conditions have been formed.

Article 22 The contracts for transfer, lease and mortgage of right to use the state-owned construction land shall not violate provisions of national laws and regulations and terms of this Contract.

Article 23 With the transfer of the right to use the state-owned construction land in whole or in part, the rights and obligations specified in this Contract and the registration documents shall be transferred accordingly. The term of use of such right to use the state-owned construction land shall be the remainder of the term specified in this Contract minus the number of years in which the original land user used the land.

After the whole or part right to use the state-owned construction land hereunder is leased, the rights and obligations specified in this Contract and the registration documents shall still be borne by the Assignee.

Article 24 If the right to use the state-owned construction land is transferred or mortgaged, the parties thereto shall apply to the land and resources administration for land modification registration by presenting this Contract and corresponding transfer and mortgage contract and state-owned land use certificate.

#### Chapter 5 Expiration

Article 25 Upon expiration of the term of use agreed in this Contract, the land user who needs to continue to use the land parcel hereunder shall submit the renewal application to the Assignor at latest one year prior to the expiration of such term. The Assignor shall approval the renewal except as required by the social public benefits to withdraw the land parcel hereunder.

The term of use of residential construction land will be renewed automatically upon its expiration.

Where the Assignor agrees on the renewal, the land user shall go through compensable land-use formalities including assignment and lease according to law, resign contracts for compensable use of land including assignment and lease, and pay charges for compensable use of land including land assignment price and rent.

Article 26 If the land user applies for renewal upon expiration of land assignment term, and such application isn't approved due to requirement of social public interests, the land user shall return the state-owned land use certificate and conduct cancellation registration of the right to use the state-owned construction land according to provisions. The right to use the state-owned construction land is taken back by the Assignor without compensation. The Assignor and the land user agree to dispose the buildings, structures and their ancillary facilities on the land parcel hereunder according to provision of Paragraph 1 of this Article:

1. The Assignor shall take back the above-ground buildings, structures and their ancillary facilities and compensate the land user according to the residual value of such buildings, structures and their ancillary facilities at the time of taking back;
2. The Assignor shall take back the above-ground buildings, structures and their ancillary facilities without compensation.

Article 27 If the land user doesn't apply for renewal upon the expiration of land assignment term, the land user shall return the state-owned land use certificate and conduct cancellation registration of the right to use the state-owned construction land according to provisions. The right to use the state-owned construction land is taken back by the Assignor without compensation. The buildings, structures and their ancillary facilities on the land parcel hereunder will be taken back by the Assignor without compensation. The land user shall keep the above-ground buildings, structures and their ancillary facilities in good conditions and shall prevent them from human destruction. If the above-ground buildings, structures and their ancillary facilities can not be used normally, the Assignor may require the land user to move or demolish such above-ground buildings, structures and their ancillary facilities and recover the grading of the land.

#### Chapter 6 Force Majeure

Article 28 Either of the parties hereto shall be released from liabilities for failure of performance of this Contract in part or in whole due to force majeure, but shall take all necessary remedial measures to reduce the losses caused by force majeure to the extent permitted by the condition. The party shall not be released from liabilities if force majeure occurs during the period of delay in performance.

Article 29 When force majeure occurs, the affected party shall notify the other party within 7 days in writing such as letter, telegraph and fax, and shall submit the report and certificate stating the Contract can not be performed in whole or in part or the performance shall be delayed to the other party within 15 days after occurrence of force majeure.

#### Chapter 7 Liability for Breach

Article 30 The Assignee shall pay the assignment price for the right to use state-owned construction land on time according to this Contract. In case the Assignee fails to do so, it shall pay liquidated damages to the Assignor at the rate of 1 % of payment in arrears on a daily basis from the date of late payment. In case the payment is delayed for more than 60 days, and the Assignee still can not pay the assignment price after required by the Assignor, the Assignor shall have the right to terminate the Contract and the Assignee is not entitled to return of deposit. The Assignor may also claim damages from the Assignee.

Article 31 If the Assignee terminates the investigation and construction of this project for any reason attributable to the Assignee, proposes to the Assignor to terminate this Contract and requests returning the land, the Assignor shall, after submitting the same to the people's government who originally approved the land assignment plan for approval and obtaining such approval, return all or part of assignment price (without interests accrued thereon) for the right to use the state-owned construction land other than the deposit agreed in this Contract and take back the right to use the state-owned construction land. The buildings, structures and their ancillary facilities constructed within the scope of such land parcel may not be compensated, and the Assignor may also require the Assignee to remove the constructed buildings, structures and their ancillary facilities and recover the grading of the land. However, if the Assignor is willing to continue to use the constructed buildings, structures and their ancillary facilities within the scope of such land parcel, the Assignee shall be compensated to some extent.

1. If the Assignee makes the application to the Assignor not less than 60 days before the end of one year from commencement date of construction agreed in this Contract, the Assignor shall return the assignment price for the right to use the state-owned construction land to the Assignee after deducting the deposit;

2. If the Assignee makes the application to the Assignor one year after the commencement date of construction but not less than 60 days before the end of two years from such commencement date, the Assignor shall return the remaining assignment price for the right to use the state-owned construction land to the Assignee after deducting the deposit agreed in this Contract and imposing the land idle fee according to relevant provisions.

Article 32 If the land is left unused for more than one year but less than two years for any reason attributable to the Assignee, the Assignee shall pay land idle fee according to law. If the land is left unused for two years and the construction fails to commence, the Assignor has the right to take back the right to use the state-owned construction land without compensation.

Article 33 If the Assignee fails to start up the construction on the date as agreed in this Contract or on other date as separately agreed for deferrable construction, the Assignee shall pay liquidated damages to the Assignor at the rate of 1‰ of the total amount of assignment price for the right to use the state-owned construction land for each day of delay, and the Assignor has the right to require the Assignee to continue to perform the Contract.

If the Assignee fails to complete the construction on the date as agreed in this Contract or on other date as separately agreed for deferrable construction, the Assignee shall pay liquidated damages to the Assignor at the rate of 1‰ of the total amount of assignment price for the right to use the state-owned construction land for each day of delay.

Article 34 If the total investment of fixed assets, investment intensity and total amount of development and investment of this project fail to meet the standards as agreed in this Contract, the Assignor may require the Assignee to pay liquidated damages equal to such amount of assignment price for the right to use the state-owned construction land as calculated according to the proportion of the actual balance to the indicator of total investment and investment intensity as agreed, and may also require the Assignee to continue to perform the Contract.

Article 35 If any indicator such as the floor area ratio and building density of the land parcel hereunder is lower than the minimum standard as agreed in this Contract, the Assignor may require the Assignee to pay liquidated damages equal to such amount of assignment price for the right to use the state-owned construction land as calculated according to the proportion of the actual balance to the agreed minimum standard, and also has the right to require the Assignee to continue to perform the Contract. If any indicator such as the floor area ratio and building density is higher than the minimum standard as agreed in this Contract, the Assignor has the right to take back such part of area as higher than the maximum standard as agreed and also has the right to require the Assignee to pay liquidated damages equal to such amount of assignment price for the right to use the state-owned construction land as calculated according to the proportion of the actual balance to the agreed standard,

Article 36 If an indicator such as greening rate of industrial construction project, the proportion of land used for enterprise internal administration and living service facilities and the building area of enterprise internal administration and living service facilities is higher than the standard as agreed in this Contract, the Assignee shall pay liquidated damages to the Assignor at the rate of 1‰ of the consignment price of the land parcel, and shall demolish corresponding virescence and building facilities on its own.

Article 37 If the Assignee pays the assignment price for the right to use the state-owned construction land according to this Contract, the Assignor must deliver the land on time according to this Contract. If the Assignor fails to provide the land to be assigned on time and causes the delay in possession of the land parcel hereunder by the Assignee, the Assignor shall pay liquidated damages to the Assignee at the rate of 1‰ of the assignment price for the right to use the state-owned construction land paid by the Assignee for each day of delay, and the term of use of the land will be calculated from the date of actual delivery of the land. If the Assignor delays to deliver the land for more than 60 days, and fails to deliver such land after required by the Assignee, the Assignee has the right to terminate the Contract. The Assignor shall return the deposit on a double basis and refund the remaining part of the paid assignment price for the right to use the state-owned construction land. The Assignee may also claim damages from the Assignor.

Article 38 If the Assignor fails to deliver the land on schedule or the delivered land fails to meet the land condition as agreed in this Contract or the Assignor changes the land use conditions unilaterally, the Assignee has the right to require the Assignor to perform its obligations according to provisions and compensate the Assignee for direct losses caused by delay in performance. The term of use of the land will be calculated from the date when the agreed land condition is reached.

## Chapter 8 Applicable Law and Settlement of Dispute

Article 39 The execution, validity, interpretation, performance and settlement of dispute of this Contract apply the law of the People's Republic of China.

Article 40 Any dispute arising from performance of this Contract shall be settled by the parties through consultation. If no agreement is reached through consultation, such dispute shall be settled in such a way as specified in Paragraph 2 of this Article:

1. To submit it to   /   arbitration commission for arbitration;
2. To bring a lawsuit to the people's court according to law.

## Chapter 9 Supplementary Provisions

Article 41 The assignment plan for the land parcel hereunder has been approved by Yizheng People's Municipal Government. This Contract will come into force from the date of execution by the parties.

Article 42 The parties hereto warrant that the name, postal address, telephone number, fax number, opening bank and agent filled in this Contract are all true and valid. Either party whose information has any change shall notify the other party in writing within 15 days from the day of change. Otherwise, the liability for failure of timely notification thus incurred shall be borne by the party whose information changes.

Article 43 This Contract and the annexes attached hereto are 18 pages in total, and the Chinese version shall prevail.

Article 44 The price, amount and area in this Contract shall be written in words and in figures. The amount in words shall be consistent with that in figures. In case of discrepancy, the amount in words shall prevail.

Article 45 All matters uncovered by this Contract are subject to separate agreement between the parties, which shall be attached hereto and shall have the same legal effect with this Contract.

Article 46 This Contract is executed in six originals with the Assignor and the Assignee each keeping three originals, which shall be equally authentic.



Assignor (stamp): Yizheng Land and Resources Bureau  
/seal/ Yizheng Land and Resources Bureau

Legal Representative (Entrusted Agent)

(Signature):

Assignee (stamp): China Sunergy (Yangzhou) Co., Ltd.  
/seal/ China Sunergy (Yangzhou) Co., Ltd.

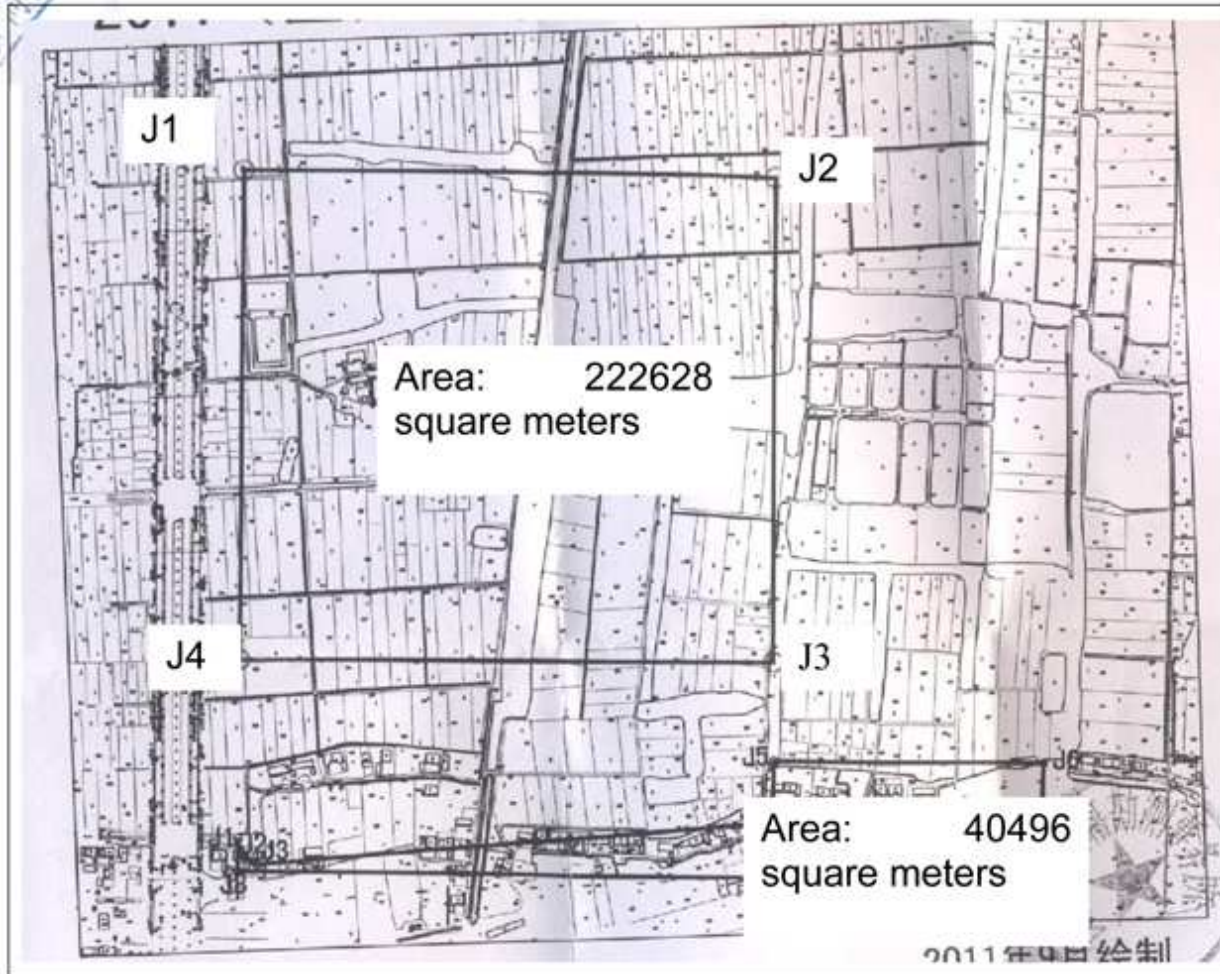
Legal Representative (Entrusted Agent)

(Signature): /s/ Zhang Ling

December 6, 2011



Ichthyographic Boundary Map of the Land Parcel to be assigned  
Survey and Demarcation Map of 2011 (industry)-40 Land Parcel

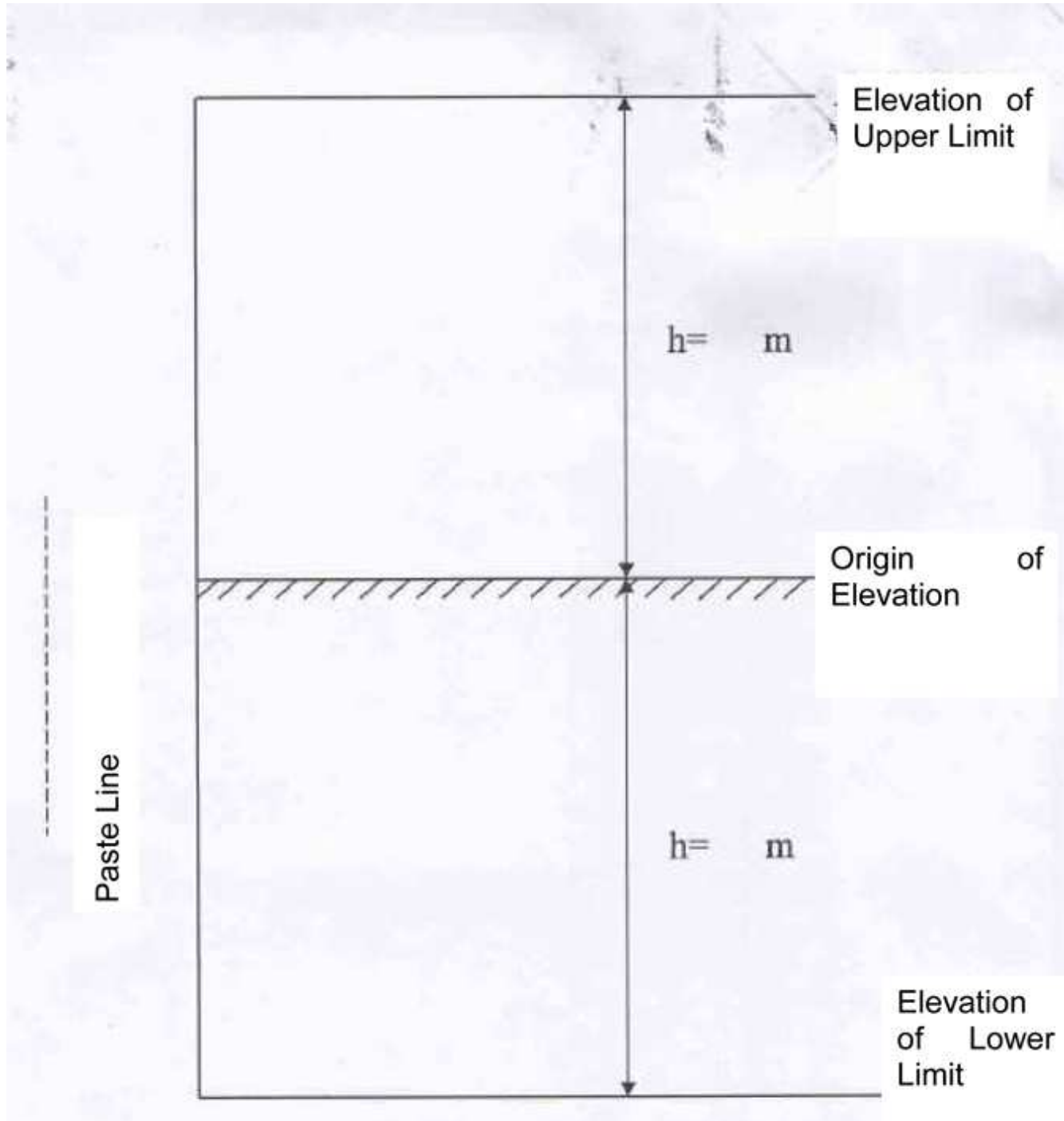


Scale 1 : 2000

Plotted in September, 2011

Annex 2

Vertical Limits of the Land Parcel to be assigned



Adopted Elevation System:

Scale 1:

Planning and Design Conditions for Construction Land of Yizheng

YiGuiDiShe No. 2011040

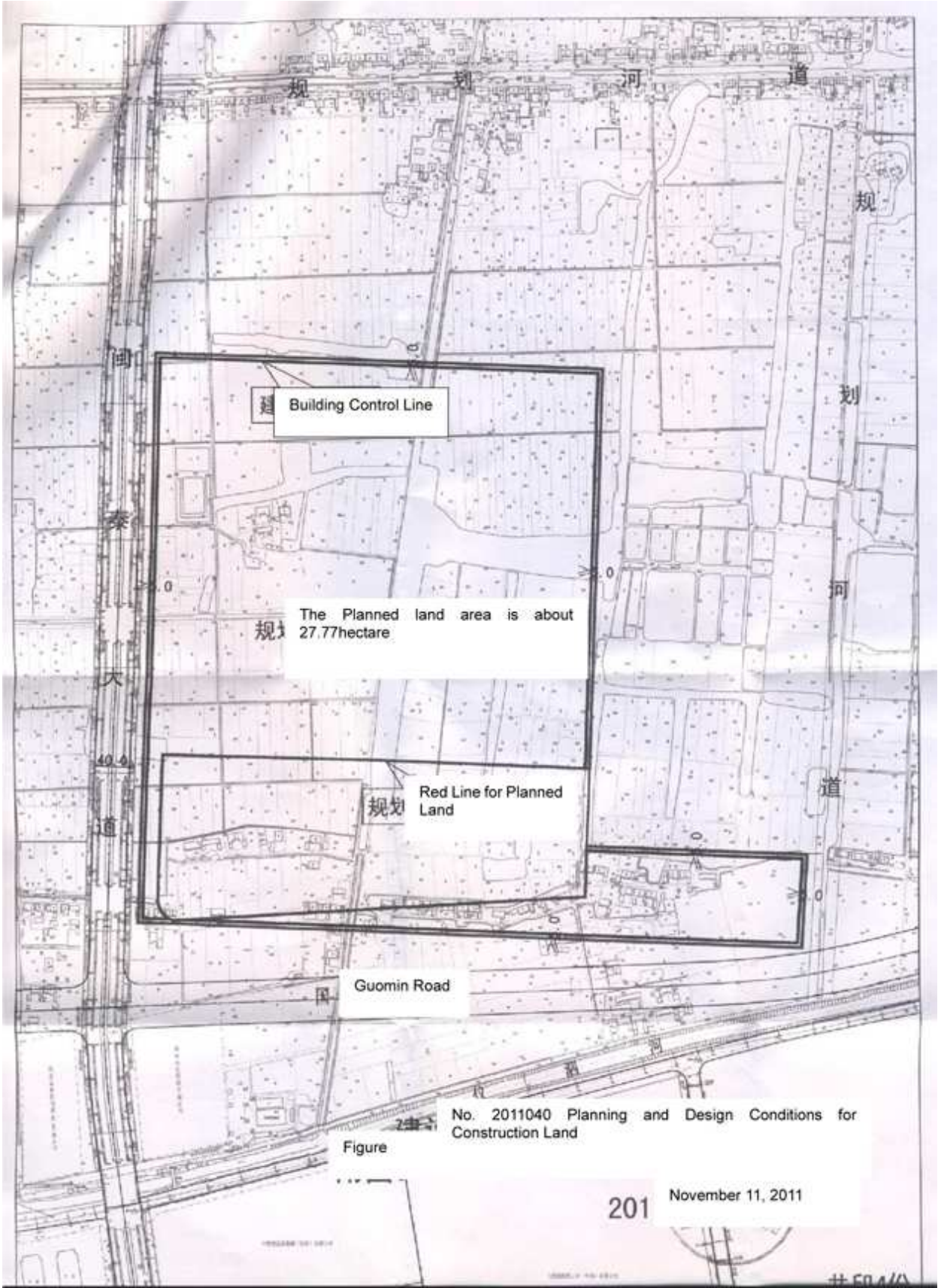
Date: November 11, 2011

Name of Construction Project			Location	Economic Development Zone	5	Road	To meet such requirements as drainage, laying of pipelines and personal access.	
Name of Construction Unit			Yizheng Land Market Transaction Center	Name of Land Parcel	2011(industry)-40 Land Parcel	6	Pipeline	The planning and design of comprehensive pipelines shall conform to provisions of relevant national specifications and standards in force.
S/N	Planning and Design Conditions		Content		7	Municipal Utilities	To be configured according to relevant specifications and standards.	
1	Nature of Land		Industrial Land		8	Public Facilities	To be configured according to relevant specifications and standards.	
2	Land Scope	Four Boundaries	East of Mintai Street, , north of Guomin Road (see specific position in Red Lines Map)		9.	Landscape Requirement	To be in harmony with the surrounding landscape.	
		Land Area	The Planned total land area 27.77hectare (the actually measured area shall prevail)					
3	Construction Control	Floor Area Ratio	—		10	Other requirements	1. The building style shall be in harmony with the surrounding constructed buildings. 2. If there is no detailed explanation on technical requirements such as space between buildings, space between buildings and red lines and landscape, the Technical Provisions on City Planning Management of Jiangsu province (version 2004) shall be strictly executed. 3. The planning design unit shall bear corresponding qualifications. 4. The floor area of facilities used for enterprise internal administration and living service of this project shall not be more than 7% of the total land area of the project. It's prohibited to build non-productive facilities such as complete sets of houses, experts' floor, hotel, guest house and training center within the scope of land used for the project. 5. The enclosing walls shall be hollowed-out.	
		Coefficient of Building Occupation	≥40%					
		Greening Rate	—					
		Number of Floors of the Building	—					
		Position of Exit and Entrance		The main exit and entrance shall face the south and the west.				
	Parking	Motor Vehicle (car)	—					

								6. The design of the planning scheme shall be synchronous with that of 2011 (industry)-26 land parcel.
		Non-motor Vehicle (bicycle)	—					necessary verbal descriptions and relevant technical and economic indicators
4	Building Setback	Back from Road Line		See details in Red Lines Map	11	Main Submissions	Design Description	necessary verbal descriptions and relevant technical and economic indicators
		Back from Land Boundaries		See details in Red Lines Map			Current Chart	one copy/set
		Back from Channel Control Line		—			General Layout	one copy/set (1:500, the color general layout shall be plotted on the current topographic map)
		Others		—			Synthesis Plan of Pipelines	one copy/set
							Others	Drawing which can reflect the design idea of the plan; CD of deliverables (the planning specification shall be in word format, graphics files shall be in dwg format and be converted to corresponding jpg format at the same time)
Remarks		1. According to relevant requirements of Article 38 and 39 of Urban and Rural Planning Law of the People's Republic of China, the construction unit must apply for construction land planning license before applying for state-owned land use certificate. 2. Other matters not described in these Conditions shall be subject to relevant national specifications and standards and Technical Provisions on City Planning Management of Jiangsu province (version 2004). In case of contradiction with these Conditions, you are required to contact this Bureau in a timely manner. 3. These Conditions are in quadruplicate with Yizheng Land Market Transaction Center keeping three copies and the fourth copy for file, and will be valid for one year.						

/seal/ Yizheng Municipal Urban and Rural Construction Bureau

/seal/ Yizheng Municipal Land Survey Firm





**List of Subsidiaries of China Sunergy Co., Ltd. (the “Registrant”)**

1. China Sunergy Co., Ltd., incorporated in the British Virgin Islands.
  2. China Sunergy (Hong Kong) Co., Limited., incorporated in Hong Kong.
  3. China Sunergy (Nanjing) Co., Ltd., incorporated in the People’s Republic of China.
  4. China Sunergy Europe GmbH, incorporated in Germany.
  5. China Sunergy (Shanghai) Co., Ltd., incorporated in the People’s Republic of China.
  6. CEEG (Shanghai) Solar Science Technology Co., Ltd., incorporated in the People’s Republic of China.
  7. CEEG (Nanjing) Renewable Energy Co., Ltd., incorporated in the People’s Republic of China.
  8. China Sunergy (US) Clean Tech Inc, incorporated in the United States of America.
  9. China Sunergy (Yangzhou) Co., Ltd., incorporated in the People’s Republic of China.
  10. China Sunergy Trading (Hong Kong) Co., Limited, incorporated in Hong Kong.
  11. CSUN International (Kong Kong) Co., Limited, incorporated in Hong Kong.
  12. China Sunergy Luxembourg S.A., incorporated in Luxembourg.
  13. CSUN Holding (Luxembourg) S.a.r.l, incorporated in Luxembourg.
-

**Certification by the Principal Executive Officer  
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Stephen Zhifang Cai, certify that:

1. I have reviewed this annual report on Form 20-F of China Sunergy Co., Ltd. (the "Company");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
4. The Company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the period covered by this annual report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and
5. The Company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: April 26, 2012

By: /s/ Stephen Zhifang Cai

Name: Stephen Zhifang Cai

Title: Chief Executive Officer

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**Certification by the Principle Financial Officer  
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Yongfei Chen, certify that:

1. I have reviewed this annual report on Form 20-F of China Sunergy Co., Ltd. (the "Company");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
4. The Company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the period covered by this annual report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and
5. The Company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: April 26, 2012

By: /s/ Yongfei Chen  
Name: Yongfei Chen  
Title: Chief Financial Officer

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**Certification by the Principal Executive Officer  
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report of China Sunergy Co., Ltd. (the “Company”) on Form 20-F for the year ended December 31, 2011 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Stephen Zhifang Cai, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

*( Signature page to follow )*

Date: April 26, 2012

By: /s/ Stephen Zhifang Cai  
Name: Stephen Zhifang Cai  
Title: Chief Executive Officer

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**Certification by the Principal Financial Officer  
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report of China Sunergy Co., Ltd. (the “Company”) on Form 20-F for the year ended December 31, 2011 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Yongfei Chen, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

(Signature page to follow)

Date: April 26, 2012

By: /s/ Yongfei Chen  
Name: Yongfei Chen  
Title: Chief Financial Officer

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26 April, 2012

China Sunergy Co., Ltd.  
No. 123 Focheng West Road  
Jiangning E&D Zone  
Nanjing, Jiangsu, 211100  
China

Matter No. 876805  
Doc Ref: TT/jc/1016555

Direct line: (852) 2842 9523  
Email: [Teresa.Tsai@conyersdill.com](mailto:Teresa.Tsai@conyersdill.com)

Dear Sirs,

**China Sunergy Co., Ltd. (the “Company”)**  
**Annual Report on Form 20-F**

We hereby consent to the filing of this letter as an exhibit to the Company’s annual report on Form 20-F for the year ended 31 December, 2011 with the U.S. Securities and Exchange Commission. In giving such consent, we do not thereby admit that we come within the category of persons whose consent is required under Section 7 of the Securities Act, or the Rules and Regulations of the U.S. Securities and Exchange Commission thereunder.

Yours faithfully,

/s/ Conyers Dill & Pearman (Cayman) Limited  
**Conyers Dill & Pearman (Cayman) Limited**

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**Consent of Jun He Law offices, PRC Counsel**

April 26, 2012

**CHINA SUNERGY CO., LTD.**

No. 123 Focheng West Road  
Jiangning Economic & Technical Development Zone,  
Nanjing, Jiangsu 211100,  
People's Republic of China

Dear Sir or Madam:

We hereby consent to the references to us by CHINA SUNERGY CO., LTD. ("the Company") under the heading "Risks Related to Doing Business in China" in the Annual Report on Form 20-F of the Company for the year ended December 31, 2011.

Yours faithfully,  
For and on behalf of

/s/ JUN HE LAW OFFICES  
JUN HE LAW OFFICES

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**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in Registration Statement No. 333-148125 on Form S-8 and in Registration Statement No. 333-151518 on Form F-3 of our reports dated April 26, 2012, relating to the consolidated financial statements and financial statement schedule of China Sunergy Co., Ltd. , and the effectiveness of China Sunergy Co., Ltd. 's internal control over financial reporting, appearing in the Annual Report on Form 20-F of China Sunergy Co., Ltd., for the year ended December 31, 2011.

/s/Deloitte Touche Tohmatsu CPA Ltd.  
Nanjing, China  
April 26, 2012

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China Sunergy Co., Ltd.

No.123,Focheng West Road,Jiangning  
Development Zone,Nanjing

T+ 86 25 5276 6666

F+ 86 25 5276 6666-6767

[www.chinasunergy.com](http://www.chinasunergy.com)