

Canadian Solar Inc.
Form 424B3
March 28, 2008

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PROSPECTUS

Filed Pursuant to Rule 424(b)(3)
Registration No. 333 149497

CANADIAN SOLAR INC.

US\$75,000,000

6.0% Convertible Senior Notes due 2017

and the

Common Shares Issuable upon Conversion of the Notes

We issued and sold US\$75,000,000 aggregate principal amount of our 6.0% Convertible Senior Notes due 2017 in a private transaction on December 10, 2007. Selling securityholders may use this prospectus to resell from time to time their notes and the common shares issuable upon conversion of the notes. Additional selling security holders may be named by prospectus supplement. We will not sell any securities under this prospectus or receive any proceeds from resales by selling securityholders.

The notes mature on December 15, 2017. The notes bear interest at the rate of 6.0% per annum, payable semi-annually in arrears on June 15 and December 15 of each year, starting on June 15, 2008, to holders of record at the close of business on the preceding June 1 and December 1, respectively. The notes will be convertible into our common shares based on an initial conversion rate, subject to adjustment, of 50.6073 common shares per US\$1,000 principal amount of notes (which represents an initial conversion price of approximately US\$19.76 per common share).

The notes are our senior unsecured obligations and rank equally with our other unsecured and unsubordinated indebtedness. The notes are effectively subordinated in right of payment to all of our existing and future secured indebtedness and other liabilities of our subsidiaries. For a more detailed description of the notes, see the section entitled "Description of Notes" beginning on page 44 of this prospectus.

The securityholders may require us to repurchase the notes on December 24, 2012 and December 15, 2014. We are also required to make an offer to purchase notes from the securityholders upon a fundamental change.

Our common shares are listed on the Nasdaq Global Market under the symbol "CSIQ". The closing price of the common shares on March 26, 2008 was \$21.71 per share.

This investment involves risks. See the section entitled "Risk Factors" beginning on page 16.

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

The date of this prospectus is March 27, 2008.

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ABOUT THIS PROSPECTUS

This prospectus is part of a shelf registration statement that we are filing with the Securities and Exchange Commission, or the SEC. By using a shelf registration statement, the selling securityholders may sell any combination of the securities described in this prospectus from time to time and in one or more offerings. This prospectus provides you with a general description of the securities the selling securityholders may offer. Each time any selling securityholders sell securities, we will provide a prospectus supplement that will contain specific information about the terms of that offering. The prospectus supplement may also add, update or change information contained in this prospectus. If there is any inconsistency between the information in this prospectus and any applicable prospectus supplement, you should rely on the information in the applicable prospectus supplement. Before purchasing any securities, you should carefully read this prospectus, any applicable prospectus supplement and the documents incorporated by reference herein and therein, together with additional information described under the heading **Where You Can Find More Information**.

You should rely only on the information contained or incorporated by reference in this prospectus, a prospectus supplement or any amendment. We have not authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. This prospectus may be used only where it is legal to sell these securities. The selling securityholders are offering to sell, and seeking offers to buy, only the notes and the shares of common stock covered by this prospectus, and only under the circumstances and in the jurisdictions where it is lawful to do so. The information contained in this prospectus is current only as of its date, regardless of the time of delivery of this prospectus or of any sale of the notes or the shares of common stock. Our business, financial condition, results of operations and prospects may have changed since those dates.

References to notes in this prospectus are to the US\$75,000,000 aggregate principal amount of 6.0% Convertible Senior Notes due 2017.

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PROSPECTUS SUMMARY

You should read the following summary together with the entire prospectus, including the information incorporated by reference and the more detailed information regarding us, our financial statements and related notes appearing elsewhere in this prospectus and in the documents incorporated herein by reference, before making an investment decision. Unless the context otherwise requires, in this prospectus, we, us, our company, our, and CSI refer to Canadian Solar Inc. and its consolidated subsidiaries; China or PRC refers to the People's Republic of China, excluding Taiwan, Hong Kong and Macau; RMB or Renminbi refers to the legal currency of China; \$ or U.S. dollars refers to the legal currency of the United States; C\$ refers to the legal currency of Canada; and Euro or € refers to the legal currency of the European Union.

Canadian Solar Inc.

We design, manufacture and sell solar cell and module products that convert sunlight into electricity for a variety of uses. We are incorporated in Canada and conduct all of our manufacturing operations in China. Our products include a range of standard solar modules built to general specifications for use in a wide range of residential, commercial and industrial solar power generation systems. We also design and produce specialty solar modules and products based on our customers' requirements. Specialty solar modules and products consist of customized modules that our customers incorporate into their own products, such as solar-powered bus stop lighting, and complete specialty products, such as solar-powered car battery chargers. Our products are sold primarily under our own brand name and also produced on an OEM basis for our customers. We also implement solar power development projects, primarily in conjunction with government organizations to provide solar power generation in rural areas of China.

We currently sell our products to customers located in various markets worldwide, including Germany, Spain, Canada, Korea and China. We currently sell our standard solar modules to distributors and system integrators. We sell our specialty solar modules and products directly to various manufacturers who integrate the specialty solar modules into their own products and sell and market the specialty solar products as part of their product portfolio.

We have historically manufactured our module products from solar cells purchased from third-party manufacturers. In 2007, we began to pursue a new business model that combines internal manufacturing capacity supplemented by direct material purchases and outsourced toll manufacturing relationships which we believe provides the company with several competitive benefits. We believe that this approach allows us to benefit from the increased margin available to vertically integrated solar manufacturers while reducing the capital expenditures required relative to a fully vertically integrated business model. We also believe that this business model provides us with greater flexibility to respond to short-term demand patterns and longer-term to take advantage of the availability of low-cost outsourced manufacturing capacity. Additionally, these steps towards increased vertical integration of our supply chain have enabled us to improve production yields, control our inventory more efficiently and improve cash management, resulting in increased confidence in our forecasts for revenue growth and margin improvement in the future.

We believe that we have contractually secured 90% of our silicon and solar cell requirements to support solar module production of 200 to 220MW in 2008. For silicon material supplies, we have entered into a five-year supply agreement with Luoyang Zhong Gui High Tech Co. Ltd in China from 2006 to 2010 for high purity silicon. For silicon wafers, we have entered into a three-year fixed price and volume agreement with LDK Solar Co., Ltd., or LDK, from 2008 to 2010 for specified quantities of solar wafers, including 50MW for delivery in 2008. We also have standby toll manufacturing arrangements with LDK and other ingot and wafer manufacturers to convert our virgin polysilicon and reclaimed silicon feedstock into wafers. In January 2007, we entered into a supply agreement with Deutsche Solar, a subsidiary of SolarWorld AG of Germany, for a supply of multi-crystalline silicon wafers through

2018. In November 2007, we entered into various agreements with China Sunergy Co., Ltd. for a supply of 25MW of solar cells for delivery in 2008, and an agreement with Gintech Energy Corporation of Taiwan for a supply of 17 to 22MW of solar cells for delivery in 2008. We have other silicon wafer and solar cell supply agreements in place. We continue to evaluate new technologies, including the use of upgraded metallurgical grade silicon material. If the results of our evaluation are positive, we intend to use upgraded metallurgical grade silicon material in the

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production of solar ingots, wafers, cells and modules. We believe that the use of upgraded metallurgical grade silicon material could increase our total solar module shipments by 30 to 40MW in 2008.

We have aggressively expanded our manufacturing capacity for both solar cells and solar modules. We have continued to expand our own in-house solar cell manufacturing abilities, completing our first solar cell production line with an annual capacity of 25MW in the first quarter of 2007 and our second 25MW production line in the third quarter of 2007. We have recently installed our third and fourth solar cell production lines and our annual solar cell production capacity was 100MW as of December of 2007. Currently, we intend to use all of our solar cells in the manufacturing of our own solar module products. At September 30, 2007, we had 180MW of annual module manufacturing capacity between our Suzhou, Changshu and Luoyang facilities. Another new Changshu solar module plant was opened in February 2008, which we anticipate will increase our total annual solar module production capacity to 400MW by the first quarter of 2008.

In addition, we have commenced work on two new projects:

Expansion of our internal solar cell manufacturing capacity from 100 to 250MW. We expect to complete this project by the summer of 2008.

Construction of a solar ingot and wafer plant in the City of Luoyang, China. We expect to complete the initial phase of this project by the summer of 2008, which will give us an annual solar wafer capacity of 40 to 60MW.

We believe that the substantial industry and international experience of our management team has helped us foster strategic relationships with suppliers throughout the solar power industry value chain. We also take advantage of our flexible and low cost manufacturing capability in China to lower our manufacturing and operating costs. We believe we have a proven track record of low cost and rapid expansion of solar cell and solar module manufacturing capacity.

We have grown rapidly since March 2002, when we sold our first solar module products. Our net revenues increased from \$9.7 million in 2004 to \$68.2 million in 2006, and from \$43.8 million for the nine months period ended September 30, 2006 to \$175.3 million for the nine months ended September 30, 2007. We sold 2.2MW, 4.1MW and 14.9MW of our solar module products in 2004, 2005 and 2006, respectively, and 10.9MW and 45.6MW for the nine months ended September 30, 2006 and 2007, respectively.

Industry Background

Solar power has recently emerged as one of the most rapidly growing renewable energy sources. Solar cells are fabricated from silicon wafers and convert sunlight into electricity through a process known as the photovoltaic effect. Solar modules, which are an array of interconnected solar cells encased in a weatherproof frame, are mounted in areas with direct exposure to the sun to generate electricity from sunlight. Solar power systems, which are comprised of solar modules, related power electronics and other components, are used in residential, commercial and industrial applications and for customers who have no access to an electric utility grid.

According to Solarbuzz, an independent solar energy research firm, the global solar power market, as measured by annual solar system installations, increased from 345MW in 2001 to 1,744MW in 2006, representing a CAGR of 38.3%. During the same period, solar power industry revenues grew from approximately \$2.4 billion in 2001 to approximately \$10.6 billion in 2006, representing a CAGR of 34.6%. Solarbuzz projects that solar power industry revenues and solar system installations will reach \$18.6 billion and 4,177MW, respectively, by 2011. According to Solarbuzz, worldwide installations of solar power systems are expected to grow at a CAGR of 19.1% from 2006 to 2011, led by shipments for on-grid applications, where solar power is used to supplement a customer's electricity

purchased from the utility network. We believe growth in the near term will be constrained by the limited availability of high-purity silicon.

We believe the following factors have driven and will continue to drive growth in the solar power industry:

government incentives for solar power and other renewable energy sources;

fossil fuel supply constraints and desire for energy security;

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growing awareness of the advantages of solar power, including its peak energy generation advantage, fuel risk advantage, scalability, reliability and environmentally friendly nature;

advances in technologies making solar power more cost-efficient; and

large market among underserved populations in rural areas of developing countries with little or no access to electricity.

Our Competitive Strengths

We believe that the following competitive strengths enable us to compete effectively and to capitalize on the rapid growth in the global solar power market:

our ability to manage our supply chain via long term supply contracts and toll manufacturing arrangements, allowing us to secure a cost-effective supply of solar wafers and solar cells;

our ability to quickly and cost-effectively increase our internal manufacturing capacity for solar cells and modules;

the strength of our customer relationships in the rapidly expanding global solar market;

our continued focus on maintaining a reputation for high quality and reliable solar modules and excellent customer support; and

our established senior management team with significant industry and international expertise.

Our Strategies

Our objective is to be a global leader in the development and manufacture of solar module products. We have developed the following strategies, based on our experience, to anticipate changes in the industry:

pursue a balanced and diversified solar cell supply strategy by entering into long-term solar cell and solar wafer supply contracts, toll manufacturing arrangements and developing our in-house solar cell and solar wafer manufacturing capabilities;

continue to proactively manage silicon raw material supply by securing long term silicon raw materials contracts;

continue to diversify silicon supply sources including the development of products utilizing upgraded metallurgical grade silicon;

further diversify our geographic presence, customer base and product mix;

enhance innovation and efficiency through R&D; and

build a leading global brand.

Corporate Structure

We were incorporated pursuant to the laws of the Province of Ontario in October 2001. We changed our jurisdiction by continuing under the Canadian federal corporate statute, the Canada Business Corporations Act, or CBCA, effective June 1, 2006. As a result, we are governed by the CBCA.

In November 2001, we established CSI Solartronics (Changshu) Co., Ltd., or CSI Solartronics, which is our wholly owned subsidiary located in Changshu, China. Through CSI Solartronics, we focus primarily on the production of specialty solar modules and products. In addition to CSI Solartronics, we also currently have six other wholly owned subsidiaries: (i) CSI Solar Manufacture Inc., or CSI Solar Manufacturing, located in Suzhou, China, which we incorporated in January 2005, through which we focus primarily on the production of standard solar modules; (ii) CSI Solar Technologies Inc., or CSI Solar Technologies, also located in Suzhou, China, which we incorporated in August 2003, through which we focus on solar module product development; (iii) CSI Central Solar Power Co., Ltd., or CSI Luoyang, in Luoyang, China, which we incorporated in February 2006, through which we currently

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manufacture solar modules and intend to manufacture solar ingots and solar wafers; (iv) CSI Cells Co., Ltd., or CSI Cells, formerly known as CSI Solarchip International Co., Ltd., which we incorporated in June 2006 and completed the first cell production line in the first quarter of 2007, through which we manufacture solar cells; (v) Changshu CSI Advanced Solar Inc., or CSI Advanced, which was incorporated in August 2006 and through which we intend to manufacture solar modules; and (vi) CSI Solar Inc., which was incorporated in Delaware in June 2007. CSI Advanced is not yet operational and is currently in the construction and preparatory phase. In May 2007, we set up a representative office in Phoenix, Arizona, to enhance our sales and marketing efforts in the U.S. market. This office became affiliated with CSI Solar Inc. after its incorporation in June 2007.

Corporate Information

Our principal executive offices are located at No. 199 Lushan Road, Suzhou New District, Suzhou, Jiangsu 215129, People's Republic of China. Our telephone number at this address is (86-512) 6690-8088 and our fax number is (86-512) 6690-8087. Our mailing address in Canada is located at 675 Cochrane Drive, East Tower, 6th Floor, Markham, Ontario L3R 0B8. Our telephone number at this address is (1-905) 530-2334 and our fax number is (1-905) 530-2001.

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.csisolar.com. The information contained on our website does not form part of this prospectus.

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FORWARD-LOOKING STATEMENTS

The information in this prospectus, any prospectus supplement and the documents incorporated herein by reference contains forward-looking statements that relate to future events, including our future operating results and conditions, our prospects and our future financial performance and condition, results of operations, business strategy and financial needs, all of which are largely based on our current expectations and projections. These statements are made under the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. You can identify these forward-looking statements by terminology such as may, will, expect, anticipate, future, intend, plan, estimate, is/are likely to or other and similar expressions. Forward-looking statements involve inherent risks and uncertainties. These forward-looking statements include, among other things, statements relating to:

- our expectations regarding the worldwide demand for electricity and the market for solar power;
- our beliefs regarding lack of infrastructure reliability and long-term fossil fuel supply constraints;
- our beliefs regarding the inability of traditional fossil fuel-based generation technologies to meet the demand for electricity;
- our beliefs regarding the importance of environmentally friendly power generation;
- our expectations regarding governmental support for the deployment of solar power;
- our beliefs regarding the future shortage or availability of the supply of high-purity silicon;
- our beliefs regarding the acceleration of adoption of solar power technologies and the continued growth in the solar power industry;
- our beliefs regarding the competitiveness of our solar module products;
- our expectations with respect to increased revenue growth and improved profitability;
- our expectations regarding the benefits to be derived from our supply chain management and vertical integration manufacturing strategy;
- our ability to continue developing our in-house solar components production capabilities and our expectations regarding the timing and production capacity of our internal manufacturing programs;
- our beliefs regarding our securing adequate silicon and solar cell requirements to support our solar module production;
- our beliefs regarding the effects of environmental regulation;
- our beliefs regarding the changing competitive arena in the solar power industry;
- our future business development, results of operations and financial condition; and
- competition from other manufacturers of solar power products and conventional energy suppliers.

Known and unknown risks, uncertainties and other factors, may cause our actual results, performance or achievements to be materially different from any future results, performances or achievements expressed or implied by the forward-looking statements. See the section entitled **Risk Factors** for a discussion of some risk factors that may affect our business and results of operations. These risks are not exhaustive. Other sections of this prospectus and the documents incorporated herein by reference may include additional factors that could adversely impact our business and financial performance. Moreover, because we operate in an emerging and evolving industry, new risk factors may emerge from time to time. It is not possible for our management to predict all risk factors, nor can we assess the impact of these factors on our business or the extent to which any factor, or combination of factors, may cause actual result to differ materially from those expressed or implied in any forward-looking statement.

This prospectus, including the documents incorporated herein by reference, also contains data related to the solar power market in several countries. These market data, including market data from Solarbuzz, include projections

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that are based on a number of assumptions. The solar power market may not grow at the rates projected by the market data, or at all. The failure of the market to grow at the projected rates may materially and adversely affect our business and the market price of our common shares and the notes. In addition, the rapidly changing nature of the solar power market subjects any projections or estimates relating to the growth prospects or future condition of our market to significant uncertainties. If any one or more of the assumptions underlying the market data proves to be incorrect, actual results may differ from the projections based on these assumptions. You should not place undue reliance on these forward-looking statements.

The forward-looking statements made in this prospectus and in the documents incorporated herein by reference relate only to events or information as of the date on which the statements are made in this prospectus or, in the case of statements made in documents incorporated by reference, as of the respective dates of those documents. Except as required by law, we undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events.

WHERE YOU CAN FIND MORE INFORMATION

We are subject to the information and reporting requirements of the Exchange Act, under which we file periodic reports, proxy and information statements and other information with the SEC. Copies of the reports, proxy statements and other information may be examined without charge at the SEC's Public Reference Room, 100 F Street, N.E., Washington, D.C. 20549 or on the Internet at <http://www.sec.gov>. Copies of all or a portion of such materials can be obtained from the Public Reference Section of the SEC upon payment of prescribed fees. Please call the SEC at 1-800-SEC-0330 for further information about the Public Reference Room.

As a foreign private issuer, we are exempt from the rules under the Exchange Act that prescribe the furnishing and content of proxy statements, and our officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act. We are not currently required under the Exchange Act to publish financial statements as frequently or as promptly as are United States companies subject to the Exchange Act. We will, however, continue to furnish our shareholders with annual reports containing audited financial statements and will issue quarterly press releases containing unaudited statements of operations data as well as such other reports as may from time to time be authorized by our board of directors or as may be otherwise required.

We have filed with the SEC a registration statement on Form F-3, including all amendments to the registration statement under the Securities Act with respect to the notes and the common issuable upon conversion of the notes covered by this prospectus. This prospectus, which constitutes a part of the registration statement, does not contain all of the information set forth in the registration statement, certain parts of which are omitted in accordance with the rules and regulations of the SEC. For further information regarding us and the securities offered under this prospectus, please see the registration statement and the exhibits and schedules filed with the registration statement. Statements contained in this prospectus regarding the contents of any agreement or other document filed as an exhibit to the registration statement or our other filings with the SEC are not necessarily complete, and in each instance please see the copy of the full agreement filed as an exhibit to the applicable filing. We qualify each of these statements in all respects by the reference to the full agreement.

INCORPORATION OF DOCUMENTS BY REFERENCE

The SEC allows us to incorporate by reference the information we file with them, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be part of this prospectus, and information that we file later with the SEC will automatically update and

supersede this information. We incorporate by reference the documents listed below and any future filings we will make with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act, including all subsequent annual reports on Form 20-F, prior to termination of this offering. In addition we may incorporate by reference any Form 6-K subsequently submitted by us by identifying in such Form 6-K that it is being incorporated by reference into this prospectus.

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Our annual report on Form 20-F for the fiscal year ended December 31, 2006, filed with the SEC on May 29, 2007; and

our reports of foreign private issuer on Form 6-K filed with the SEC on March 15, 2007, April 23, 2007, May 14, 2007, June 11, 2007, August 15, 2007, October 2, 2007, October 29, 2007, November 15, 2007, November 30, 2007, December 4, 2007, December 5, 2007 and March 6, 2008.

We will provide without charge to each person to whom a copy of this prospectus is delivered, including any beneficial owner, upon the written or oral request of such person, a copy of any or all of the documents incorporated by reference (other than exhibits to such documents, unless such exhibits are specifically incorporated by reference into the information that this prospectus incorporates). Requests should be directed to:

Canadian Solar Inc.
No. 199 Lushan Road
Suzhou New District
Suzhou, Jiangsu 215129
People's Republic of China
Attention: Investor Relations
Telephone: (86-512) 6690 8088

You should rely only on the information that we incorporate by reference or provide in this prospectus. We have not authorized anyone to provide you with different information. We are not making any offer of these securities in any jurisdiction where the offer is not permitted. You should not assume that the information in this prospectus is accurate as of any date other than the date on the front of those documents.

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The summary below highlights information contained elsewhere in this prospectus. This summary is not complete and does not contain all the information that you should consider before investing in the notes. The Description of Notes section of this prospectus contains a more detailed description of the terms and conditions of the notes and shares of our common shares issuable upon conversion of the notes. As used in this section, references to Canadian Solar, the company, we, us and our refer only to Canadian Solar Inc. and do not include its direct or indirect subsidiaries.

Issuer of notes and common shares	Canadian Solar Inc.
Notes issued	US\$75,000,000 principal amount of 6.0% convertible senior notes due 2017.
Maturity	December 15, 2017.
Ranking	The notes are our senior, unsecured obligations and rank equal in right of payment to all of our other unsecured and unsubordinated indebtedness. The notes are effectively subordinated in right of payment to all of our existing and future secured debt to the extent of such security and structurally subordinated to the indebtedness and other liabilities of our subsidiaries. As of September 30, 2007, we had no secured debt outstanding and our direct and indirect subsidiaries had approximately US\$61.7 million of total debt outstanding on a consolidated basis.
Interest	The notes bear interest at a rate of 6.0% per annum. Interest is payable semi-annually in arrears on each June 15 and December 15 beginning on June 15, 2008.
Conversion rights	<p>You may convert your notes prior to the close of business on the trading day before the stated maturity date. The initial conversion rate is 50.6073 common shares per US\$1,000 principal amount of notes, subject to adjustment. This is equivalent to an initial conversion price of approximately US\$19.76 per common share.</p> <p>Upon conversion you will receive our common shares for your notes. If we have obtained consent from holders, we may elect to deliver cash or a combination of cash and common shares in satisfaction of our conversion obligation. In no event will the total number of common shares to be issued upon conversion of any note exceed 56.6773 shares per \$1,000 principal amount of notes, subject to adjustment. See the section entitled Description of Notes Conversion Rights for more information.</p>
Conversion rate increase upon fundamental change	If you elect to convert your notes in connection with a fundamental change that occurs on or before December 24, 2012 as described below under the section entitled Description of Notes Adjustment to Conversion Rate upon Occurrence of a Fundamental Change, we will, to the extent

described in this prospectus, increase the conversion rate applicable to the notes.

The amount of the increase in the applicable conversion rate, if any, will be based on our common share price and the effective date of the fundamental change. A description of how the increase in the applicable conversion rate will be determined and a table showing the increase that would apply at various common share prices and

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fundamental change effective dates are set forth under the section entitled
Description of Notes Adjustment to Conversion Rate upon Occurrence of
a Fundamental Change.

Optional redemption by us

We may redeem the notes on or after December 24, 2012 at a redemption price equal to 100% of the principal amount of the notes, plus accrued and unpaid interest to, but excluding, the redemption date (i) in whole or in part, if the closing price for our common shares exceeds 130% of the conversion price for at least 20 trading days within a period of 30 consecutive trading days ending within five trading days of the notice of redemption, or (ii) in whole only, if at least 95% of the initial aggregate principal amount of the notes originally issued have been redeemed, converted or repurchased and, in each case, cancelled.

Purchase of notes at your option on specified dates

You may require us to repurchase the notes for cash on December 24, 2012 and December 15, 2014 at a repurchase price equal to 100% of the principal amount, plus accrued and unpaid interest to, but excluding, the repurchase date.

Offer to purchase the notes on a fundamental change

We are required to make an offer to purchase your notes for cash upon a fundamental change at 100% of the principal amount of the notes, plus accrued and unpaid interest to, but excluding, the purchase date.

Additional amounts

All payments made by us or any successor to us under or with respect to the notes will be made without withholding or deduction for taxes unless we are legally required to do so, in which case, subject to certain exceptions and limitations, we will pay such additional amounts as may be necessary so that the net amount received by holders of the notes after such withholding or deduction shall equal the amount that would have been received in the absence of such withholding or deduction.

Tax redemption

In the event of certain changes to the laws governing a relevant taxing jurisdiction, we will have the option to redeem, in whole but not in part, the notes for a purchase price equal to 100% of the principal amount of the notes to be purchased plus any accrued and unpaid interest, including any additional amounts, up to, but excluding, the repurchase date. Upon our giving a notice of redemption, a holder may elect not to have its notes redeemed, in which case such holder would not be entitled to receive the additional amounts referred to in Additional Amounts above after the redemption date.

Resale registration rights

We prepared this prospectus in connection with our obligations under a registration rights agreement with respect to the resale of the notes and the common shares issuable upon conversion of the notes.

We will use our reasonable best efforts to keep such shelf registration statement effective, subject to certain permitted exceptions, until the earliest of (i) December 10, 2009; (ii) the date when all registrable securities shall have been registered under the Securities Act and disposed

of; (iii) the date on which all registrable securities held by non-affiliates are eligible to be sold to the public pursuant to

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Rule 144(k) under the Securities Act; and (iv) the date on which the registrable securities cease to be outstanding.

We will be required to pay additional interest, subject to some limitations, to the holders of the notes if we fail to comply with our obligations to register the notes and the common shares issuable upon conversion of the notes or the registration statement does not become effective within the specified time periods. See the section entitled "Description of Notes Resale Registration Rights" for more information.

Use of proceeds

We will not receive any proceeds from the selling securityholders' sale of the notes or the common shares issuable upon conversion of the notes.

Trustee, paying agent and conversion agent

The Bank of New York.

Book-entry form

The notes have been issued in book-entry form and are represented by global certificates deposited with, or on behalf of, DTC and registered in the name of a nominee of DTC. Beneficial interests in any of the notes will be shown on, and transfers will be effected only through, records maintained by DTC or its nominee and any such interest may not be exchanged for certificated securities except in limited circumstances.

Trading

Prior to this offering, the notes have been eligible for trading in the PORTAL Marketsm. Notes sold by means of this prospectus will not remain eligible for trading in the PORTAL Marketsm. We do not intend to list the notes for trading on any national securities exchange or on the Nasdaq National Market. Our common shares are traded on the Nasdaq Global Market under the symbol "CSIQ".

Taxation

For certain United States and Canadian federal income tax consequences of the holding, disposition and conversion of the notes, and the holding and disposition of our common shares, see the section entitled "Taxation".

Risk factors

You should carefully consider the information set forth in the section of this prospectus entitled "Risk Factors" as well as the other information included in or incorporated by reference in this prospectus before deciding whether to invest in the notes and our common shares into which the notes may be converted.

Ratio of Earnings to Fixed Charges

Our ratio of earnings to fixed charges for the years ended December 31, 2002, 2003, 2004, 2005, 2006 and the nine months ended September 30, 2007 have been set forth in the section of this prospectus entitled "Ratio of Earnings to Fixed Charges".

Table of Contents**SUMMARY CONSOLIDATED FINANCIAL DATA**

The following summary consolidated statement of operations data for the years ended December 31, 2003, 2004, 2005 and 2006 and summary consolidated balance sheet data as of December 31, 2003, 2004, 2005 and 2006 are derived from our audited consolidated financial statements, which have been audited by an independent registered public accounting firm. The auditor report on our consolidated statements of operations for the years ended December 31, 2004, 2005 and 2006 and our consolidated balance sheets as of December 31, 2005 and 2006 is incorporated by reference into this prospectus from our annual report on Form 20-F for the year ended December 31, 2006. You should read the summary consolidated financial data in conjunction with those financial statements and the related notes. Our summary consolidated statement of operations data for the year ended December 31, 2003 and our consolidated balance sheet data as of December 31, 2003 and 2004 have been derived from our audited consolidated financial statements which are not included in our annual report. Our summary consolidated statement of operations data for the year ended December 31, 2002 and our consolidated balance sheet data as of December 31, 2002 have been derived from our unaudited consolidated financial statements, which are not included in our annual report, but which have been prepared on the same basis as our audited consolidated financial statements. The summary consolidated statement of operations data for the nine months ended September 30, 2006 and 2007 and summary balance sheet data as of September 30, 2007 are derived from our unaudited condensed consolidated financial statements.

The audited financial statements are prepared and presented in accordance with U.S. GAAP. Our unaudited financial statements have been prepared on the same basis as our audited financial statements and, in the opinion of management, all adjustments, consisting only of normal recurring adjustments, considered necessary for a fair presentation have been included. Our historical results do not necessarily indicate results expected for any future periods.

		For the Nine Months Ended					
	2002	Year Ended December 31,			September 30,		
		2003	2004	2005	2006	2006	2007
		(in thousands of US\$, except share and per share data, and operating data and percentages)					
Statement of operations data:							
Net revenues	\$ 4,042	\$ 4,113	\$ 9,685	\$ 18,324	\$ 68,212	\$ 43,841	\$ 175,339
Cost of revenues ⁽¹⁾	2,628	2,372	6,465	11,211	55,872	31,601	166,172
Gross profit	1,414	1,741	3,220	7,113	12,340	12,240	9,167
Operating expenses ⁽¹⁾							
Selling expenses	81	39	269	158	2,909	1,676	4,560
General and administrative expenses	405	1,039	1,069	1,708	7,923	4,483	11,378
Research and development expenses ⁽²⁾	7	20	41	16	398	115	677

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Total operating expenses	493	1,098	1,379	1,882	11,230	6,274	16,615
Income/(loss) from operations	921	643	1,841	5,231	1,110	5,966	(7,448)
Interest expenses				(239)	(2,194)	(1,980)	(943)
Interest income		1	11	21	363	91	396
Loss on change in fair value of derivatives related to convertible Notes				(316)	(6,997)	(6,997)	
Loss on financial instruments related to convertible notes				(263)	(1,190)	(1,190)	
Other net	(3)	10	(32)	(25)	(90)	(13)	1,716
Income tax expense	(81)	(34)	(363)	(605)	(432)	(202)	77
Minority interests	(215)	(209)					
Income/(loss) before extraordinary gain	625	411	1,457	3,804	(9,430)	(4,325)	(6,202)
Extraordinary gain		350					
Net income/(loss)	625	761	1,457	3,804	(9,430)	(4,325)	(6,202)
Earnings per share, basic and diluted							
Extraordinary gain		0.02					
Net income (loss)	0.04	0.05	0.09	0.25	(0.50)	(0.25)	(0.23)

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	Year Ended December 31,					For the Nine Months Ended	
	2002	2003	2004	2005	2006	2006	2007
	(in thousands of US\$, except share and per share data, and operating data and percentages)						
Shares used in dilution and diluted	15,427,995	15,427,995	15,427,995	15,427,995	18,986,498	17,275,330	27,279,000
Profitability							
Operating margin	35.0%	42.3%	33.2%	38.8%	18.1%	28.0%	5.0%
Operating margin	22.8%	15.6%	19.0%	28.5%	1.6%	13.6%	(4.0)%
Operating margin	15.5%	18.5%	15.0%	20.8%	(13.8)%	(9.9)%	(3.0)%

(1) Share-based compensation expenses are included in our cost of revenues and operating costs and expenses.

(2) We also conduct research and development activities in connection with our implementation of solar power development projects. These expenditures are included in our cost of revenues.

(3) Less than one thousand.

	As of December 31,					As of	
	2002	2003	2004	2005	2006	September 30, 2007	
	(in thousands of US\$)						
Balance Sheet Data:							
Cash and cash equivalents	\$ 596	\$ 1,879	\$ 2,059	\$ 6,280	\$ 40,911	\$ 27,402	
Restricted cash		27	27	112	825	3,357	
Inventories	312	313	2,397	12,162	39,700	65,918	
Accounts receivable, net	1,047	257	636	2,067	17,344	49,061	
Advances to suppliers	3	81	370	4,740	13,484	18,731	
Value added tax recoverable	167	142	22	815	2,281	7,926	
Other current assets	51	95	150	257	2,398	2,473	
Total current assets	2,176	2,794	5,661	26,433	116,943	174,868	
Property, plant and equipment, net	291	244	453	932	7,910	31,688	
Intangible assets					39	91	
Prepaid-rental	9	15	31	65	1,103	1,178	
					3,639	3,837	

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Deferred tax assets
(non-current)

Total assets	2,476	3,053	6,145	27,430	129,634	211,662
Short-term borrowings				1,300	3,311	51,651
Accounts payable	488	426	824	4,306	6,874	14,919
Other payable	65	398	302	892	993	5,189
Advances from suppliers and customers	113	18	273	2,823	3,225	9,496
Income tax payable	92	119	407	914	112	509
Amounts due to related parties	12	93	189	431	149	202
Embedded derivatives related to convertible notes				3,679		
Other current liabilities	61	147	761	1,022	1,191	1,330
Total current liabilities	831	1,201	2,756	15,367	15,855	83,296
Accrued warranty costs	39	79	167	341	875	2,552
Long term debt						10,003
Convertible notes				3,387		
Financial instruments related to convertible notes				1,107		
Other non-current liabilities	261	261	261	261		
Total liabilities	1,131	1,541	3,184	20,463	16,730	95,851
Total shareholders equity	1,345	1,512	2,961	6,967	112,904	115,811
Total liabilities and shareholders equity	2,476	3,053	6,145	27,430	129,634	211,662
Number of shares outstanding	15,427,995	15,427,995	15,427,995	15,427,995	27,270,000	27,290,298 ⁽⁴⁾

⁽⁴⁾ Excluding 566,190 restricted shares, which were subject to restrictions on voting and dividend rights and transferability, as of September 30, 2007.

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SUMMARY OF RECENT FINANCIAL DEVELOPMENTS

Third Quarter 2007 Financial Results

Net revenues for the third quarter 2007 were \$97.4 million, including \$3.8 million of silicon material sales, compared to net revenues of \$17.8 million for the third quarter of 2006 and \$60.4 million for the second quarter of 2007. Net revenues for the second quarter of 2007 included \$2.7 million of silicon material sales. Net income for the quarter was \$0.5 million, or \$0.02 per diluted share, compared to net income of \$0.24 million, or \$0.01 per diluted share, for the third quarter of 2006 and net loss of \$2.9 million, or \$0.11 per diluted share, for the second quarter of 2007.

Our return to profitability was achieved through continued sales momentum, improved production yields, better inventory controls, improved cash management and stable pricing. As a result, we were able to increase our product shipments and improve our profit margins as forecast despite modest price increases in materials from some suppliers.

Results of Operations for the Nine Months Ended September 30, 2006 and 2007

Net Revenues. Our total net revenues increased 300.2% from \$43.8 million for the nine months ended September 30, 2006 to \$175.3 million for the nine months ended September 30, 2007. The increase was due primarily to a significant increase in net revenues generated from the sale of our solar module products from \$43.8 million for the nine months ended September 30, 2006 to \$166.0 million for the nine months ended September 30, 2007. However, as a percentage of total revenues, solar module product sales decreased from 99.8% to 94.7% due to an increase in silicon material sales to third party customers.

There was a significant decrease in other net revenues generated from our implementation of solar power development projects from \$68,000 for the nine months ended September 30, 2006 to nil for the nine months ended September 30, 2007, primarily due to our substantial completion of the remaining milestones in the Solar Electrification for Western China project in 2005, for which a portion of revenue had been recognized in 2006 after final customer acceptance.

The volume of our solar module products sold increased from 10.9MW for the nine months ended September 30, 2006 to 45.6MW for the nine months ended September 30, 2007. The significant increase in the volume of our solar module products sold was driven by several factors, including favorable incentive programs that stimulated demand for our products in our main target markets of Germany, Spain and Italy, establishment of customer relationships with several large solar integrators in our target markets and an increase in module production capacity to fulfill this demand.

Cost of Revenues. Our cost of revenues increased 425.9% from \$31.6 million for the nine months ended September 30, 2006 to \$166.2 million for the nine months ended September 30, 2007. The increase in our cost of revenues was due primarily to a significant increase in the quantity of solar cells needed to produce an increased output of our standard solar modules and the rising prices of silicon feedstock and solar cells arising from the industry-wide shortage of high-purity silicon. As a percentage of our total net revenues, cost of revenues increased from 72.1% for the nine months ended September 30, 2006 to 94.8% for the nine months ended September 30, 2007, with the increase primarily due to rising prices of silicon feedstock and solar cells arising from an industry-wide shortage of high-purity silicon.

Gross Profit. As a result of the foregoing, our gross profit decreased from \$12.2 million for the nine months ended September 30, 2006 to \$9.2 million for the nine months ended September 30, 2007. Our gross margin decreased from 27.9% for the nine months ended September 30, 2006 to 5.2% for the nine months ended September 30, 2007. The

decrease in gross margin was due primarily to the rising prices of silicon feedstock and solar cells arising from the industry-wide shortage of high-purity silicon and a decrease in average selling prices for our solar module products. We have increased our quarterly gross margin in each quarter since the fourth quarter of 2006, from 0.4% in the quarter ended December 31, 2006 to 6.5% in the quarter ended September 30, 2007. Although we have improved our gross margin through continued sales growth and effective cost controls, we cannot assure you that we will continue to do so in future periods.

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Operating Expenses. Our operating expenses increased by 164.8% from \$6.3 million for the nine months ended September 30, 2006 to \$16.6 million for the nine months ended September 30, 2007. The increase in our operating expenses was due primarily to an increase in our general and administrative expenses and selling expenses. Operating expenses as a percentage of our total net revenue decreased from 14.3% for the nine months ended September 30, 2006 to 9.5% for the nine months ended September 30, 2007.

Selling Expenses. Our selling expenses increased from \$1.7 million for the nine months ended September 30, 2006 to \$4.6 million for the nine months ended September 30, 2007. Selling expenses as a percentage of our total net revenues decreased from 3.8% for the nine months ended September 30, 2006 to 2.6% for the nine months ended September 30, 2007. The increase in our selling expenses was due primarily to (i) the increase in share-based compensation expenses that we incurred in connection with our grant of share options and restricted shares to sales and marketing personnel, (ii) the increase in freight charges and export processing fees caused by our increasing use of cost, insurance and freight sales terms in the nine months ended September 30, 2007 comparing to mostly free-on-board or ex-work sales terms in the nine months ended September 30, 2006 and (iii) an increase in salaries and benefits as we hired additional sales personnel to handle our increased sales volume.

General and Administrative Expenses. Our general and administrative expenses increased by 153.8% from \$4.5 million for the nine months ended September 30, 2006 to \$11.4 million for the nine months ended September 30, 2007, primarily due to (i) the increase in share-based compensation expenses that we incurred in connection with our grant of share options and restricted shares to general and administrative employees and (ii) increases in salaries and benefits for our administrative and finance personnel as we hired additional personnel in connection with the growth of our business. As a percentage of our total net revenues, general and administrative expenses decreased from 10.2% for the nine months ended September 30, 2006 to 6.5% for the nine months ended September 30, 2007, primarily as a result of the greater economies of scale that we achieved in the nine months ended September 30, 2007.

Research and Development Expenses. Our research and development expenses increased significantly from \$115,000 for the nine months ended September 30, 2006 to \$676,672 for the nine months ended September 30, 2007, due to increased efforts in development of new products and technology improvement. We expect our expenditures for research and development efforts to increase significantly in 2008 as we undertake technology development related to future product offerings.

Share-Based Compensation Expenses. Our share-based compensation expenses in the nine months ended September 30, 2006 was \$3.5 million as compared to \$7.0 million in the nine months ended September 30, 2007. This increase was due to the implementation of our share-based compensation program in May 2006, thus share-based compensation expenses allocated in 2006 occurred over a shorter time period as compared to the nine months ended September 30, 2007.

Interest Expenses. We incurred interest expenses of approximately \$2.0 million for the nine months ended September 30, 2006 compared to \$943,625 for the nine months ended September 30, 2007. The interest expenses for the nine months ended September 30, 2006 were in connection with (i) the convertible notes that we sold to HSBC and JAFCO in November 2005 and March 2006 and which were outstanding before July 1, 2006, (ii) non-cash amortization of discount on debts in relation to the convertible notes issued to HSBC and JAFCO and (iii) interest payable for our various short-term borrowings before our initial public offering in November 2006. These convertible notes were converted on July 1, 2006. As a result of relatively low debt levels in the nine months ended September 30, 2007, our interest expenses were comparatively lower for the nine months ended September 20, 2007, compared to the same period in 2006.

Loss on Change in Fair Value of Derivatives Related to Convertible Notes. We recorded nil for the loss on change in fair value of derivatives related to convertible notes for the nine months ended September 30, 2007 compared to

\$7.0 million for the nine months ended September 30, 2006. After amending the terms of our convertible notes in March 2006, we no longer incurred this charge.

Loss on Financial Instruments Related to Convertible Notes. We recorded nil for a non-cash charge for the nine months ended September 30, 2007 compared to \$1.2 million for the nine months ended September 30, 2006. After

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issuing the second tranche convertible notes together with convertible notes issued pursuant to the investors' option in March 2006, we no longer incurred this charge.

Income Tax Income (Expense). Our income tax expense was \$202,430 for the nine months ended September 30, 2006, as compared to a gain of \$76,786 for the nine months ended September 30, 2007, in part due to the tax benefit from the amortization of an increase in deferred tax assets associated with expenses related to our initial public offering and based on Canadian tax regulations.

Net Loss. As a result of the cumulative effect of the above factors, we recorded net loss of \$6.2 million for the nine months ended September 30, 2007, as compared to a \$4.3 million net loss for the nine months ended September 30, 2006.

Liquidity and Capital Resources

To date, we have financed our operations primarily through cash flows from operations, short-term borrowings, convertible note issuances, as well as equity contributions by our shareholders. We have significant working capital commitments because of the rapid growth of our standard solar module business. Additionally, some of our suppliers of silicon raw materials, including polysilicon, solar wafers and solar cells require us to make prepayments in advance of their shipment. In a long-term supply contract, customary with the current industry practice, we have agreed to make large amounts of prepayments in cash to our supplier in advance of the planned delivery with the prepayments being proportionally off-set at deliveries from the supplier during the contract term. Due to the industry-wide shortage of high-purity silicon, working capital and access to financings to allow for the purchase of silicon raw materials are critical to growing our business.

We believe that our current cash and cash equivalents, anticipated cash flow from operations and planned commercial bank borrowings will be sufficient to meet our anticipated cash needs, including our cash needs for working capital, capital expenditures and potential acquisitions for at least the next 12 months. We may, however, require additional cash due to changing business conditions or other future developments. If our cash is insufficient to meet our requirements, we may seek to sell additional equity securities or debt securities or borrow from lending institutions. We cannot assure you that financing will be available in the amounts we need or on terms acceptable to us, if at all.

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RISK FACTORS

Your investment in the notes involves a high degree of risk. You should carefully consider the risks described below as well as other information and data included in this prospectus, including in our most recent annual report on Form 20-F and the documents incorporated by reference in this prospectus, as the same may be updated from time to time by our future filings under the Securities Exchange Act of 1934, or the Exchange Act, before making an investment decision. Additional risks and uncertainties not presently known to us or that we currently believe are immaterial may also adversely impact our business operations. If any of the events described in the risk factors below, or other events described in the risk factors incorporated by references occur, our business, financial condition, operating results and prospects could be materially affected and you could lose all or part of your investment.

Risks Related to Our Company and Our Industry

Evaluating our business and prospects may be difficult because of our limited operating history.

There is limited historical information available about our company upon which you can base your evaluation of our business and prospects. We began business operations in October 2001 and shipped our first solar module products in March 2002. With the rapid growth of the solar power industry, we have experienced a high growth rate since our inception and, in particular, since 2004 after we began to sell standard solar modules. As such our historical operating results may not provide a meaningful basis for evaluating our business, financial performance and prospects. We may not be able to achieve growth rates in future periods similar to those we have experienced in recent periods, and our business model at higher volumes is unproven. Accordingly, 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 will face as an early-stage company seeking to develop and manufacture new products in a rapidly growing market.

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

Our quarterly operating results may fluctuate from period to period based on a number of factors, including:

- the average selling prices of our solar modules and products;
- the availability and pricing of raw materials, particularly high-purity silicon and reclaimable silicon;
- the availability, pricing and timeliness of delivery of solar cells and wafers from our suppliers and toll manufacturers;
- the rate and cost at which we are able to expand our internal manufacturing capacity to meet customer demand and the timeliness and success of these expansion efforts;
- the impact of seasonal variations in demand linked to construction cycles and weather conditions, with purchases of solar products tending to decrease during the winter months in our key markets, such as Germany, due to adverse weather conditions that can complicate the installation of solar power systems;
- timing, availability and changes in government incentive programs and regulations, particularly in our target markets;

unpredictable volume and timing of customer orders, some of which are not fixed by contract but vary on a purchase order basis;

the loss of one or more key customers or the significant reduction or postponement of orders from these customers;

availability of financing for on-grid and off-grid solar power applications;

unplanned additional expenses such as manufacturing failures, defects or downtime;

acquisition and investment related costs;

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geopolitical turmoil within any of the countries in which we operate or sell products;

foreign currency fluctuations, particularly in the Euro, U.S. Dollar and RMB;

our ability to establish and expand customer relationships;

changes in our manufacturing costs;

changes in the relative sales mix of our products;

our ability to successfully develop, introduce and sell new or enhanced solar modules and products in a timely manner, and the amount and timing of related research and development costs;

the timing of new product or technology announcements or introductions by our competitors and other developments in the competitive environment; and

increases or decreases in electric rates due to changes in fossil fuel prices or other factors.

We base our planned operating expenses in part on our expectations of future revenue, and a significant portion of our expenses will be fixed in the short-term. If revenue for a particular quarter is lower than we expect, we likely will be unable to proportionately reduce our operating expenses for that quarter, which would harm our operating results for that quarter. This may cause us to miss analysts' guidance or any guidance announced by us. If we fail to meet or exceed analyst or investor expectations or our own future guidance, even by a small amount, our share price could decline, perhaps substantially.

The current industry-wide shortage of high-purity silicon may constrain our revenue growth and decrease our margins and profitability.

We produce solar modules, which are an array of interconnected solar cells encased in a weatherproof package, and products that use solar modules. High-purity silicon is an essential raw material in the production of solar cells and is also used in the semiconductor industry generally. While we do have in-house solar cell manufacturing capabilities, we continue to depend on solar cell supplies from a few producers. There is currently an industry-wide shortage of high-purity silicon because of increased demand as a result of recent expansions of, and increased demand in, the solar power and semiconductor industries. The shortage of high-purity silicon has driven the overall increase in silicon feedstock prices. For example, according to a March 2007 report by Solarbuzz, the average long-term silicon feedstock contracted price increased from approximately \$28-32 per kilogram in 2004 to \$60-65 per kilogram in 2007. In addition, according to Solarbuzz, prices of silicon feedstock obtained through spot purchases or short-term contracts went as high as \$300 per kilogram in 2006, peaking in the third quarter of 2006 before decreasing by 10% from this peak by the first quarter of 2007. The shortage of high-purity silicon has also resulted in a shortage of, and significant price increases for, solar cells. According to Solarbuzz, the average selling price of solar cells increased from the fourth quarter of 2004 to the fourth quarter of 2005 by approximately 20% to 25%, depending on the size of the solar cells and the type of technology; mainstream multicrystalline silicon cell prices increased from the first quarter of 2006 to the first quarter of 2007 by an average of 8%, while monocrystalline silicon PV cell prices increased by a similar proportion.

The average price of silicon feedstock and solar cells remained high in 2007. Any further increase in the demand from the semiconductor industry will compound the shortage and price increases. The shortage of high-purity silicon has constrained our revenue growth in the past and may continue to do so. Increases in the prices of silicon feedstock and

solar cells have in the past increased our production costs and may impact our cost of revenues and net income in the future. The production of high-purity silicon is capital intensive and adding additional capacity requires significant lead time. While we are aware that several new facilities for the manufacture of high-purity silicon are under construction, we do not believe that the supply shortage will be remedied in the very near term. We expect that demand for high-purity silicon will continue to outstrip supply for the near future. Furthermore, if we cannot fulfill our solar cell needs through internal production and obtain solar wafers and solar cells externally at commercially viable prices, this could adversely affect our margins and operating results. This would have a material negative impact on our business and operating results.

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If we are unable to secure an adequate and cost effective supply of solar wafers, cells or reclaimable silicon, our revenue, margins and profits could be adversely affected.

Solar cells are the most important component of solar module products. We engage in vertical integration of our supply chain to secure a sufficient and cost-effective supply of solar cells through a combination of internal solar cell component manufacturing and also our sourcing of silicon feedstock, toll manufacturing arrangements with suppliers of ingots, wafers and cells and direct purchases from solar cell suppliers. While we have been able to secure silicon to meet our production needs in the past, due to ongoing industry shortages of silicon feedstock, solar wafers and solar cells, we cannot assure you that we will be able to continue to successfully manage our supply chain and secure an adequate and cost-effective supply of solar cells. For example, we have entered into several long-term contracts with silicon raw material suppliers, but we cannot assure you that we will be able to obtain adequate supplies from them under these contracts or from other suppliers in sufficient quantities and at commercially viable prices in the future. Moreover, toll manufacturing arrangements may not be available to us in the future or at higher volumes, in particular as high-purity silicon becomes more readily available in the future, which could have an adverse effect on our margins and profitability. While we produce solar cells internally to meet a portion of our solar cell needs, we cannot guarantee you that we will be able to successfully produce enough solar cells to supplement our solar cell needs. If we are unable to procure an adequate supply of solar cells, either via contractual arrangements providing solar cells to us at commercially viable prices or through in-house production, we may be unable to meet demand for our products and could lose our customers and market share, and our margins and revenues could decline.

In addition, while we have been able to generate cost savings in the past through our recycling of reclaimable silicon, we cannot assure you that we will be able to secure sufficient reclaimable silicon at higher volumes and reasonable prices in the future as we believe there is a limited supply of reclaimable silicon available in the market and intensified competition for these materials as a result of new competitors entering the market. Recently, there has been increased scrutiny by the Chinese Customs authorities on the import of scrap silicon over a concern that the recycling process for certain types of scrap silicon may cause environmental damage if not performed in a fully licensed factory. This has created certain disruptions to our silicon reclamation business. Since December 2006, 1.2 tons of our scrap silicon has been under detention by the Chinese Customs authorities. In August 2007, following testing by Chinese Customs authorities, one-fourth of this amount was identified by them as prohibited solid waste. Although the case is still pending, if the investigation deems any portion of this scrap silicon to be prohibited solid waste, such portion of the scrap silicon will have to be returned to its point of origin and we may be assessed a fine with a penalty ranging from RMB100,000 (US\$12,813.80) to RMB1 million (US\$128,137.70). We are actively working with local industry groups, the Chinese Customs authorities and the Chinese Environment Protection Administration to define new procedures and regulations governing scrap silicon. These new regulations may increase the cost of reclamation and limit our ability to sustain or expand our silicon reclamation program. If we are unable to secure a sufficient supply of reclaimable silicon at reasonable prices and reclaim this silicon on a cost-efficient basis, we cannot assure you that we will be able to save cost through our reclamation program and maintain our profit margin as a result of further negative changes in the government policy.

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

We compete with a large number of competitors in the solar module market. These include international competitors such as BP Solar International Inc., or BP Solar, Sharp Solar Corporation, or Sharp Solar, SolarWorld AG, or SolarWorld, and competitors located in China such as Suntech Power Holdings Co., Ltd., Yingli Green Energy Holding Company Limited, Solarfun Power Holdings Co., Ltd. and Trina Solar Limited. We expect to face increasing competition in the future. Further, many of our competitors are developing and are currently producing products based on new solar power technologies that may ultimately have costs similar to, or lower than, our projected costs. For example, some of our competitors are developing or currently producing products based on alternative solar

technologies, such as thin film photovoltaic materials, which they believe will ultimately cost the same as or less than crystalline silicon technologies, which we use. Solar modules produced using thin film materials, such as amorphous silicon and cadmium telluride, require significantly less silicon to produce than crystalline silicon solar modules, such as our products, and are less susceptible to increases in silicon costs. We may

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also face competition from semiconductor manufacturers, several of which have either announced plans to start or have already commenced production of solar modules. In addition, from a technological and capital investment point of view, the entry barriers are relatively low in the solar module manufacturing business given the low capital requirements and relatively little technological complexity involved. Due to the scarcity of high-purity silicon, supply chain management, access to financing and establishment of name brand recognition and a strong customer base are key entry barriers at present. However, if high-purity silicon supplies increase, some of these barriers may disappear or lessen and many new competitors may enter into the industry resulting in rapid industry fragmentation and loss of our market share.

Many of our current and potential competitors have longer operating histories, greater name recognition, access to larger customer bases and resources and significantly greater economies of scale. In addition, our competitors 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 demand or to devote greater resources to the development, promotion and sales of their products than we can. The sale of our solar module products generated 97.7% and 87.6% of our net revenues in 2005 and 2006, respectively, and 94.7% for the nine months ended September 30, 2007. Our competitors with more diversified product offerings may be better positioned to withstand a decline in the demand for solar power products. Some of our competitors have also become vertically integrated, from upstream silicon wafer manufacturing to solar power system integration. It is possible that new competitors or alliances among existing competitors could 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.

In the immediate future, we believe that in order to remain competitive, we will need to continue focusing on securing silicon feedstock and solar wafers for our in-house solar cell manufacturing needs and expanding our internal production capacity, developing our in-house solar wafer manufacturing capacity, maintaining strategic relationships with a few select suppliers to fulfill our remaining solar cell and solar wafer needs and increasing our sales and marketing efforts to secure customer orders. Many of our competitors have greater access to silicon raw materials and cell supply, including stronger strategic relationships with leading global and domestic silicon feedstock suppliers, or have more significant silicon wafer and cell manufacturing capabilities. We believe that as the supply of high-purity silicon stabilizes and customers become more knowledgeable and selective, the key to competing successfully in the industry will shift to more traditional sales and marketing activities. We have conducted very limited advertising to date, focusing primarily on medium to larger sized solar power distributors and integrators in the European market in the past, and cannot assure you that we will be able to make that transition successfully. The greater name recognition of some of our competitors may make it difficult for us to compete as a result of this industry transition. In addition, the solar power market in general competes with other sources of renewable energy and conventional solar power generation. If prices for conventional and other renewable energy resources decline, or if these resources enjoy greater policy support than solar power, the solar power market could suffer.

The reduction or elimination of government subsidies and economic incentives for solar power could cause demand for our products, our revenues, profits and margins to decline.

We believe that the near-term growth of the market, particularly for on-grid applications, depends in large part on the availability and size of government subsidies and economic incentives. Because a substantial portion of our sales is made in the on-grid market, the reduction or elimination of government subsidies and economic incentives may adversely hinder the growth of this market or result in increased price competition, which could cause our revenues to decline.

Today, the cost of solar power substantially exceeds the cost of power provided by the electric utility grid in many locations. Governments around the world have used different policy initiatives to accelerate the development and

adoption of solar power and other renewable energy sources. Renewable energy policies are in place in the European Union, most notably Germany and Spain, certain countries in Asia, and many of the states in Australia and the United States. Examples of customer-focused financial incentives include capital cost rebates, feed-in tariffs, tax credits and net metering and other incentives to end users, distributors, system integrators and manufacturers of solar power products to promote the use of solar power in both on-grid and off-grid applications and to reduce dependency on other forms of energy. These government economic incentives could be reduced or

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eliminated altogether, or governmental entities could reprioritize solar initiatives that they have launched. For example, according to Solarbuzz, plans by the Shanghai municipal government to install solar energy heating systems on 100,000 rooftops have stalled. Reductions in, or eliminations of, government subsidies and economic incentives before the solar power industry reaches a scale of economy sufficient to be cost-effective in a non-subsidized market place could result in decreased demand for our products and decrease our revenues, profits and margins.

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

The market for electricity generation products is heavily influenced by government regulations and policies concerning the electric utility industry, as well as policies promulgated by electric utilities. These regulations and policies often relate to electricity pricing and technical interconnection of customer-owned electricity generation. In a number of countries, these regulations and policies have been 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 our customers of using our solar module products and make them less desirable, thereby harming our business, prospects, results of operations and financial condition. In addition, pricing regulations and policies may place limits on our ability to increase the price of our solar module products in response to increases in our solar raw material costs, including solar cells. We anticipate that our products and their installation will be subject to oversight and regulation in accordance with national and local regulations relating to building codes, safety, environmental protection, utility interconnection and metering and related matters. It is difficult to track the requirements of individual jurisdictions and design products to comply with the varying standards. For example, the European Union's Restriction of Hazardous Substances Directive, which took effect in July 2006, is a general directive. Each European Union member state will adopt its own enforcement and implementation policies using the directive as a guide. Therefore, there could be many different versions of this law that we will have to comply with to maintain or expand our sales in Europe. Any new government regulations or utility policies pertaining to our solar module products may result in significant additional expenses to us and, as a result, could cause a significant reduction in demand for our solar module products. In particular, any changes to existing regulations and policies or new regulations and policies in Germany could have a material adverse effect on our business and operating results. Sales to customers located in Germany accounted for 75.3% and 56.9% of our net revenues in 2005 and 2006, respectively, and 72.8% for the nine months ended September 30, 2007, in part because of the availability and amounts of government subsidies and economic incentives in Germany.

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

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

cost-effectiveness, performance and reliability of solar power products compared to conventional and other renewable energy sources and products;

availability of government subsidies and incentives to support the development of the solar power industry;

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success of other alternative energy generation technologies, such as wind power, hydroelectric power and biomass;

fluctuations in economic and market conditions that affect the viability of conventional and other renewable energy sources, such as increases or decreases in the prices of oil and other fossil fuels;

capital expenditures by end users of solar power products, which tend to decrease when the economy slows down;

deregulation of the electric power industry and broader energy industry; and

changes in seasonal demands for our products, as illustrated by the slowdown of our sales to Germany in the fourth quarter of 2006.

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

The lack or unavailability of financing for on-grid and off-grid solar power applications could cause our sales to decline.

Our solar module products are used in both on-grid applications and off-grid applications. Off-grid applications are used where access to utility networks is not economical or physically feasible. In some developing countries, government agencies and the private sector have, from time to time, provided financing on preferential terms for rural electrification programs. We believe that the availability of financing programs could have a significant effect on the level of sales of solar modules for both on-grid and off-grid applications. If existing financing programs for on-grid and off-grid applications are eliminated or if financing programs are inaccessible or inadequate, the growth of the market for on-grid and off-grid applications may be materially and adversely affected, which could cause our sales to decline. In addition, a rise in interest rates could render existing financings more expensive and present an obstacle for potential financings that would otherwise spur the growth of the solar power industry, which could materially and adversely affect our business.

Our dependence on a limited number of solar wafer, solar cell and silicon raw material suppliers could prevent us from timely delivering our products to our customers in the required quantities, which could result in order cancellations and decreased revenues.

We purchase silicon raw materials, which include polysilicon, solar wafers and solar cells, from a limited number of third-party suppliers. Our major suppliers of silicon raw materials include Luoyang Zhong Gui High Tech Co. Ltd., or Luoyang Poly, of China, which provides us with specified minimum levels of polysilicon, LDK of China, and Deutsche Solar AG, or Deutsche Solar, of Germany, which provide us specified minimum levels of solar wafers; and China Sunergy Co., Ltd., or China Sunergy, and Gintech Energy Corporation of Taiwan, or Gintech, which provides us specified minimum levels of solar cells. We have also entered into annual supply agreements with a few other overseas and domestic Chinese solar wafer and solar cell suppliers. These suppliers may not be able to meet the specified minimum levels set forth in the contracts. If we fail to develop or maintain our relationships with these or our other suppliers, we may not be able to internally produce or secure a supply of solar cells at cost-effective prices, or at all. If that were to occur, we may be unable to manufacture our products in a timely manner or our products may be manufactured only at a higher cost, and we could 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 us to experience order

cancellations and loss of market share and harm our reputation. The failure of a supplier to supply solar wafers, solar cells or silicon raw materials that meet our quality, quantity and cost requirements in a timely manner could impair our ability to manufacture our products or increase our costs, particularly if we are unable to obtain these solar wafers, solar cells or silicon raw materials from alternative sources on a timely basis or on commercially reasonable terms. For example, in late 2006, one of our major suppliers of solar wafers incurred serious fire damage with its silicon cast ingot furnaces. This resulted in a chain reaction and caused the shortage and price increase of multi-crystalline solar wafers, which is a key material for our products.

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Our dependence on a limited number of customers and our lack of long-term contracts may cause significant fluctuations or declines in our revenues.

We currently sell a substantial portion of our solar module products to a limited number of customers, including distributors and system integrators, and various manufacturers who either integrate our products into their own products or sell them as part of their product portfolio. Our top five customers collectively accounted for approximately 53.4% and 84.0% of our net revenues in 2006 and for the nine months ended September 30, 2007, respectively. Each of Iliotec and Bihler contributed over 10% of our net revenues in 2006. Each of Schüco, City Solar AG and pro solar Solarstrom contributed over 10% of our net revenues for the nine months period ended September 30, 2007. Sales to our customers are typically made through one-year frame work sales agreements with quarterly firm orders stipulating prices and product amounts as adjusted or negotiated with customers. We anticipate that our dependence on a limited number of customers will continue for the foreseeable future. Consequently, any one of the following events may cause material fluctuations or declines in our revenues:

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.

Even though our top five customers have contributed to a significant portion of our revenues, we have experienced changes in our top customers. As we continue to grow our business and operations, we expect our top customers may continue to change. We cannot assure you that we will be able to develop a consistent customer base.

Cancellation of customer product orders may make us unable to recoup prepayments made to suppliers.

Suppliers of solar wafers, cells and silicon raw materials typically require us to make prepayments well in advance of shipment. While we also sometimes require our customers to make partial prepayments, there is typically a lag between the time of our prepayment for solar wafers, cells and silicon raw materials and the time that our customers make prepayments to us. As a result, the purchase of solar wafers, cells and silicon feedstock, and other silicon raw materials through toll manufacturing arrangements, has required, and will continue to require, us to make significant working capital commitments beyond that generated from our cash flows from operations to support our estimated production output. In the event our customers cancel their orders, we may not be able to recoup prepayments made to suppliers in connection with our customers' orders, which could have an adverse impact on our financial condition and results of operations.

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

We commenced business operations in October 2001 and have since grown rapidly. We expect to continue to significantly expand our business to meet the growth in demand for our products, as well as to capture new market opportunities. To manage the potential growth of our operations, we will be required to improve our operational and financial systems and procedures and controls. Our rapid growth has strained our resources and made it difficult to maintain and update our internal procedures and controls as necessary to meet the expansion of our overall business. We must also increase production output, expand, train and manage our growing employee base, and successfully establish new subsidiaries to operate new or expanded facilities. Additionally, access to additional funds to support the expansion of our business may not always be available to us. Furthermore, our management will be required to maintain and expand our relationships with our customers, suppliers and other third parties.

We cannot assure you that our current and planned operations, personnel, systems and internal procedures and controls will be adequate to support our future growth. If we are unable to manage our growth effectively, we may not be able to take advantage of market opportunities, execute our business strategies or respond to competitive pressures.

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

The solar power market is characterized by evolving technology standards that require improved features, such as more efficient and higher power output, improved aesthetics and smaller size. This requires us to develop new solar module products and enhancements for existing solar module products to keep pace with evolving industry standards and changing customer requirements. Technologies developed by others may prove more advantageous than ours for the commercialization of solar module products and may render our technology obsolete. Our failure to further refine our technology and develop and introduce new solar module 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 introduce or bring to market competitive new solar module products, or enhance our existing solar module products, we may not be able to compete successfully. Competing solar power technologies may result in lower manufacturing costs or higher product performance than those expected from our solar module products. In addition, if we are unable to manage product transitions, our business and results of operations would be negatively affected.

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

Our future success depends on our ability to significantly increase our internal solar components manufacturing capacity. 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 is subject to significant risks and uncertainties, including:

the need to raise significant additional funds to purchase raw materials and to build additional manufacturing facilities, which we may be unable to obtain on commercially viable terms or at all;

delays and cost overruns as a result of a number of factors, many of which are beyond our control, including delays in equipment delivery by vendors;

delays or denial of required approvals by relevant government authorities;

diversion of significant management attention and other resources; and

failure to execute our expansion plan effectively.

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

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

Our future success depends substantially on the continued services of our executive officers, especially Dr. Shawn Qu, our chairman, president and chief executive officer, Bing Zhu, our chief financial officer, Bencheng Li, our vice president, domestic corporate development, Gregory Spanoudakis, our vice president of international sales and marketing and Robert Patterson, our vice president of corporate and product development and general manager of Canadian operations. If one or more of our executive officers are unable or unwilling to continue in their present positions, we may not be able to replace them readily, if at all. Therefore, our business may be severely disrupted, and we may incur additional expenses to recruit and retain new officers, in particular those with a significant mix of both international and China-based solar power industry experience as many of our current officers have. In addition, if any of our executives joins a competitor or forms a competing company, whether in violation of their agreements with us or otherwise, we may lose some of our customers.

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

In 2005 and 2006 and for the nine months ended September 30, 2007, we sold approximately 97.2%, 79.3% and 97.8%, respectively, of our products to customers located outside of China. The marketing, distribution and sale of our solar module products in the international markets expose us to a number of risks, including:

fluctuations in the currency exchange rates of the Euro, U.S. dollar and RMB;

difficulty in engaging and retaining distributors and system integrators who are knowledgeable about and, can function effectively in, overseas markets;

increased costs associated with maintaining marketing efforts in various countries;

difficulty and cost relating to compliance with the different commercial and legal requirements of the overseas markets in which we offer our products;

cultural, language and logistical barriers to working with customers in different countries; and

trade barriers such as export requirements, tariffs, taxes and other restrictions and expenses, which could increase the prices of our products and make us less competitive in some countries.

Problems with product quality or product performance, including defects, in our products could damage our reputation, or result in a decrease in customers and revenue, unexpected expenses and loss of market share.

Our products may contain defects that are not detected until after they are shipped or are installed because we cannot test for all possible scenarios. These defects could cause us to incur significant costs, divert the attention of our personnel from product development efforts and significantly affect our customer relations and business reputation. If we deliver solar module products with errors or defects, or if there is a perception that our products contain errors or defects, our credibility and the market acceptance and sales of our solar module products could be harmed. In one instance in 2005 and another in 2006, customers raised concerns about the stated versus actual performance output of some of our solar modules. We determined that these concerns resulted from differences in calibration methodologies and we resolved the issue with these customers. However, the corrective actions and procedures that we took may turn out to be inadequate to prevent further incidents of the same problem or to protect against future errors or defects. As we continue to develop our internal solar cell manufacturing capabilities and expand into in-house solar ingot and solar wafer production, we may have problems standardizing product quality in these new areas of business. In addition, some of our ingot, wafer and cell suppliers with whom we have toll manufacturing arrangements previously raised concerns about the quality and consistency of the silicon feedstock, in particular the reclaimable silicon that we recycle through our silicon reclamation program for re-use in the solar power industry, that we have provided to them for their ultimate conversion into solar cells. The use of reclaimed silicon in the solar power supply chain has an inherent risk as it is difficult to maintain the consistency and quality of reclaimed silicon at the same level as high-purity silicon. The successful use of reclaimed silicon requires extensive experience, know-how and additional quality control measures from both the provider of reclaimed silicon and the toll manufacturers. If we cannot successfully maintain the consistency and quality of the reclaimed silicon from our silicon reclamation program at an acceptable level, this may result in less efficient solar cells for our solar modules or in a lower conversion ratio of solar cells per ton of silicon feedstock that we provide, and may potentially delay and reduce our supply of solar cells. This may reduce or eliminate the cost advantages of recycling silicon through our silicon reclamation program. This could also cause problems with product quality or product performance, including defects in our products, and increase the cost of producing our products.

We obtain some of the solar wafers and solar cells that we use in our products from third parties, either directly or through toll manufacturing arrangements, and we have limited control over the quality of that portion of the solar wafers and solar cells we incorporate into our solar modules. Unlike solar modules, which are subject to certain uniform international standards, solar wafers and solar cells generally do not have uniform international standards, and it is often difficult to determine whether solar module product defects are a result of the solar cells or other components or reasons. We also rely on third party suppliers for other components that we use in our products, such as glass, frame and backing for our solar modules, and electronic components for our specialty solar modules and

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products. Furthermore, the solar cells and other components that we purchase from third party suppliers are typically sold to us without any, or with only limited, warranty. The possibility of future product failures could cause us to incur substantial expense to repair or replace defective products. Furthermore, widespread product failures may damage our market reputation, reduce our market share and cause our revenues to decline.

Since we cannot test our products for the duration of our standard warranty periods, we may be subject to unexpected warranty expense.

Our standard solar modules are typically sold with a two-year guarantee for defects in materials and workmanship and a 10-year and 25-year warranty against declines of more than 10.0% and 20.0%, respectively, of the initial minimum power generation capacity at the time of delivery. Our specialty solar modules and products are typically sold with a one-year guarantee against defects in materials and workmanship and may, depending on the characteristics of the product, contain a limited warranty of up to ten years, against declines of the minimum power generation capacity specified at the time of delivery. We believe our warranty periods are consistent with industry practice. Due to the long warranty period, we bear the risk of extensive warranty claims long after we have shipped our products and recognized revenue. We began selling specialty solar modules and products in 2002 and only began selling standard solar modules in 2004. Any increase in the defect rate of our products would cause us to increase the amount of warranty reserves and have a corresponding negative impact on our operating results. Although we conduct quality testing and inspection of our solar module products, our solar module products have not been and cannot be tested in an environment simulating the up to 25-year warranty periods. As a result, we may be subject to unexpected warranty expense and associated harm to our financial results as long as 25 years after the sale of our products.

Our future growth depends in part on our ability to make strategic acquisitions and investments and to establish and maintain strategic relationships, and our failure to do so could have a material adverse effect on our market penetration and revenue growth.

The solar power industry has only recently emerged as a high growth market and is currently experiencing shortages of its key component, high-purity silicon, due to rapid industry growth and demand. We believe it is critical that we continue to manage upstream silicon supply sources by, among other strategies, continuing to pursue strategic acquisitions and investments in solar cell and silicon raw materials suppliers to secure a guaranteed supply and better control the specifications and quality of the materials delivered and fostering strategic relationships, particularly with silicon feedstock suppliers, as we continue to develop our in-house solar component manufacturing abilities, and partnerships with solar wafer and solar cell suppliers. We cannot assure you, however, that we will be able to successfully make such strategic acquisitions and investments or establish strategic relationships with third parties that will prove to be effective for our business. Our inability in this regard could have a material adverse effect on our market penetration, our revenue growth and our profitability.

Strategic acquisitions, investments and relationships with third parties could subject us to a number of risks, including risks associated with sharing proprietary information and loss of control of operations that are material to our business. Moreover, strategic acquisitions, investments and relationships may be expensive to implement and subject us to the risk of non-performance by a counterparty, which may in turn lead to monetary losses that materially and adversely affect our business.

We may not succeed in developing and maintaining a cost-effective solar cell manufacturing capability.

We plan to continue expanding our in-house solar cell manufacturing capabilities to support our core solar module manufacturing business. We completed installation of our first four solar cell production lines in 2007, and expect the annual solar cell production capacity from these production lines to reach 100MW by the end of 2007. However, we only have limited and recent operating experience in this area and we will face significant challenges in the solar cell

business. Manufacturing solar cells is a highly complex process and we may not be able to produce solar cells of sufficient quality to meet our solar module manufacturing standards. Minor deviations in the manufacturing process can cause substantial decreases in yield and in some cases cause production to be suspended or yield no output. We will need to make capital expenditures to purchase manufacturing equipment for solar cell production and will also need to make significant investments in research and development to keep pace with technological advances in solar

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power technology. The technologies, designs and customer preferences for solar cells change more rapidly, and solar cell product life cycles are shorter than those for solar modules. We may not be able to successfully address these new challenges. We will also face increased costs to comply with environmental laws and regulations. Any failure to successfully develop and maintain cost-effective solar cell manufacturing capability may have a material adverse effect on our business and prospects.

In addition, although we intend to continue direct purchasing of solar cells and our toll manufacturing arrangements through a limited number of strategic partners, if we engage in the large scale production of solar cells it may disrupt our existing relationships with solar cell suppliers. One of our suppliers has raised concerns with us over our decision to implement internal solar cell product capabilities. If solar cell suppliers discontinue or reduce the supply of solar cells to us, either through direct sales or through toll manufacturing arrangements, and we are not able to compensate for the loss or reduction with our own manufacturing of solar cells, our business and results of operations may be materially and adversely affected.

We may experience difficulty in developing our internal production capabilities for ingots and wafers and, if developed, in achieving acceptable yields and product performance as a result of manufacturing problems.

We are in the process of developing our internal production capabilities for the manufacture of silicon ingots and wafers. We do not have prior operational experience in ingot and wafer production and will face significant challenges in developing this line of business, and may not be successful in doing so. The technology is complex, and will require costly equipment and the hiring of highly skilled personnel to implement. In addition, we may experience delays in developing these capabilities and in obtaining governmental permits required to carry on these operations.

If we are able to successfully develop these production capabilities, we will need to continuously enhance and modify these capabilities in an effort to improve yields and product performance. Microscopic impurities such as dust and other contaminants, difficulties in the manufacturing process, disruptions in the supply of utilities or defects in the key materials and tools used to manufacture wafers can cause a percentage of the wafers to be rejected, which in each case, negatively affects our yields. We may experience production difficulties that cause manufacturing delays and lower than expected yields.

Problems in our facilities may limit our ability to manufacture products, including but not limited to, 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. A disruption to any step of the manufacturing process will require us to repeat each step and recycle the silicon debris, thus adversely affecting our yields.

We may fail to successfully bring to market our new specialty solar modules and products, which may prevent us from achieving increased sales, margins and market share.

We expect to continue to derive part of our revenues from sales of our new specialty solar modules and products and will increase our research and development expenses in connection with developing these products. If we fail to successfully develop our new specialty solar modules and products, we will likely be unable to recover the expenses that we will incur to develop these products and may be unable to increase our sales and market share and to increase our margins. Many of our new specialty solar modules and products have yet to receive market acceptance, and it is difficult to predict whether we will be successful in completing their development or whether they will be commercially successful. We may also need to develop new manufacturing processes that have yet to be tested and which may result in lower production output.

Our failure to protect our intellectual property rights in connection with new specialty solar modules and products may undermine our competitive position.

As we develop and bring to market new specialty solar modules and products, we may need to increase our expenses to protect our intellectual property and our failure to protect our intellectual property rights may undermine our competitive position. We currently use contractual arrangements with employees and trade secret protections to protect our intellectual property. Nevertheless, these afford only limited protection and the actions we take to

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protect our intellectual property rights as we develop new specialty solar modules and products may not be adequate. We currently have only three patents and five patent applications pending in China for products that make up a relatively small percentage of our net revenues and two trademark applications pending in China. Policing unauthorized use of proprietary technology can be difficult and expensive. Also, litigation, which can be costly and divert management attention, may be necessary to enforce our intellectual property rights, protect our trade secrets or determine the validity and scope of the proprietary rights of others.

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

Our success depends on our ability to use and develop our technology and know-how and sell our solar module products without infringing the intellectual property or other rights of third parties. We do not have, and have not applied for, any patents for our proprietary technologies outside China, although we have sold, and expect to continue to sell, a substantial portion of our products outside China. The validity and scope of claims relating to solar power technology patents involve complex scientific, legal and factual questions and analysis and, therefore, may be highly uncertain. We may be subject to litigation involving claims of patent infringement or violation of intellectual property rights of third parties. In addition, we have not yet registered our trade name, CSI, outside of China, and our trademark application in China is still pending. As a result, we could be subject to trademark disputes and may not be able to police the unauthorized use of our trade name. 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. Additionally, we use imported equipment in our production lines, without supplier guarantees that our use does not infringe on third party intellectual property rights in China. This creates a potential source of litigation or infringement claims arising from such use. 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.

In addition, our competitors and other third parties may initiate legal proceedings against us or our employees that may strain our resources, divert our management attention and damage our reputation. For example, in March 2002, ICP Global Technologies Inc., or ICP Global, a manufacturer of solar power products, filed an action in the Superior Court of the Province of Quebec, Canada (Action No. 500-05 071241-028) against our vice president of international sales and marketing, Gregory Spanoudakis, and ATS Automation Tooling Systems Inc., or ATS. ICP Global subsequently amended the complaint to include us, our subsidiary, CSI Solartronics, and our chairman and chief executive officer, Dr. Shawn Qu, as defendants. The amended complaint contends that all of the defendants jointly engaged in unlawful conduct and unfair competition in directing a business opportunity away from ICP Global to us. Although there have been no meaningful discovery, court filings or communications from the plaintiff on this matter since early 2004, we cannot assure you that ICP Global will not move forward with this case or that the litigation will not be determined adversely to us. We also cannot assure you that similar proceedings will not occur in the future.

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

We conduct significantly all of our operations through our subsidiaries, CSI Solartronics (Changshu) Co., Ltd., CSI Solar Manufacture Inc., CSI Solar Technologies Inc., CSI Central Solar Power Co., Ltd., CSI Cells Co., Ltd. and Changshu CSI Advanced Solar Inc., which are companies established in China. We rely on dividends paid by these 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. These subsidiaries are also required to set aside at least 10.0% of their after-tax profit based on PRC accounting standards each year to its general reserves until the accumulative amount of such reserves reach 50.0% of its

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registered capital. These reserves are not distributable as cash dividends. In addition, if any of these subsidiaries 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.

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

Our future success depends, to a significant extent, on our ability to attract, train and retain technical personnel. Recruiting and retaining capable personnel, particularly those with expertise in the solar power industry, are vital to our success. There is substantial competition for qualified technical personnel, and there can be no assurance that we will be able to attract or retain our technical personnel. If we are unable to attract and retain qualified employees, our business may be materially and adversely affected.

Fluctuations in exchange rates could adversely affect our business.

Historically, a major portion of our sales were denominated in Euros, with the remainder in Renminbi and U.S. dollars. A major portion of our costs and expenses is denominated in U.S. dollars and Renminbi. Our Renminbi costs and expenses primarily related to domestic sourcing of solar cells, wafers, silicon and other raw materials, toll manufacturing fees, labor costs and local overhead expenses. From time to time, we also have loan arrangements with Chinese commercial banks that are denominated in U.S. dollars and Renminbi. Therefore, fluctuations in currency exchange rates could have a material adverse effect on our financial condition and results of operations. Fluctuations in exchange rates, particularly among the U.S. dollar, Renminbi and Euro, affect our gross and net profit margins and could result in fluctuations in foreign exchange and operating gains and losses. We cannot predict the impact of future exchange rate fluctuations on our results of operations and we may incur net foreign currency losses in the future.

Product liability claims against us could result in adverse publicity and potentially significant monetary damages.

As with other solar module product manufacturers, we are exposed to risks associated with product liability claims if the use of our solar module products results in injury. Since our products generate electricity, it is possible that users could be injured or killed by our products as a result of product malfunctions, defects, improper installation or other causes. We only shipped our first products in March 2002 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 carry limited product liability insurance, we may not have adequate resources to satisfy a judgment if a successful claim is brought against us. The successful assertion of product liability claims against us could result in potentially significant monetary damages and require us to make significant payments. Even if the product liability claims against us are determined in our favor, we may suffer significant damage to our reputation.

Our founder, Dr. Shawn Qu, has substantial influence over our company and his interests may not be aligned with the interests of our other shareholders.

As of February 14, 2008, Dr. Shawn Qu, our founder, chairman and chief executive officer, beneficially owned 50.0% of our outstanding share capital comprised of 27,320,389 common shares, excluding restricted shares granted but yet to be vested and subject to restrictions on voting and dividend rights and transferability. As such, Dr. Qu has substantial influence over our business, including decisions regarding mergers, consolidations and the sale of all or substantially all of our assets, election of directors and other significant corporate actions. This concentration of ownership may discourage, delay or prevent a change in control of our company, which could deprive our shareholders of an opportunity to receive a premium for their shares as part of a sale of our company and might reduce the price of our common shares. These actions may be taken even if they are opposed by our other shareholders.

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Compliance with environmental regulations can be expensive, and noncompliance with these regulations may result in adverse publicity and potentially significant monetary damages, fines and suspensions of our business operations.

We are required to comply with all national and local regulations regarding protection of the environment. As we expand our silicon reclamation program and research and development activities and move into solar ingot, solar wafer and solar cell manufacturing, we have begun to generate material levels of noise, waste water, gaseous wastes and other industrial wastes in the course of our business operations. Additionally, as we expand our internal solar components production capacity, our risk of facility incidents with a potential environmental impact also increases.

Except for a failure to obtain certain approvals prior to starting production as disclosed in **Risks Related to Doing Business in China** We may face a potential risk for failing to comply with certain PRC legal requirements, we believe that we are in compliance with present environmental protection requirements and have all necessary environmental permits to conduct our business as it is presently conducted. However, if more stringent regulations are adopted in the future, the costs of compliance with these new regulations could be substantial. For example, we increased our expenditures to comply with the European Union's Restriction of Hazardous Substances Directive, which took effect in July 2006, by reducing the amount of lead and other restricted substances used in our solar module products. Furthermore, we may need to comply with the European Union's Waste Electrical and Electronic Equipment Directive if we begin to sell specialty solar modules and products to customers located in Europe or if our customers located in other markets demand that our products be compliant.

If we fail to comply with present or future environmental regulations, we may be required to pay substantial fines, suspend production or cease operations. For instance, the Chinese Customs have recently increased their scrutiny on the import of scrap silicon over a concern that the recycling process for certain types of scrap silicon may cause environmental damage if not performed in a fully licensed factory and have subjected certain importations of recyclable silicon by some China-based companies, including us. See the section entitled **If we are unable to secure an adequate and cost effective supply of solar wafers, cells or reclaimable silicon, our revenue, margins and profits could be adversely affected.** 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 of our business operations.

We may not be successful in establishing our brand names among all consumers in important markets and the products we sell under our brand name may compete with the products we manufacture on an OEM basis for our customers.

We sell our products primarily under our own brand name and also on an OEM basis for our customers. In certain markets our brand may not be as prominent as other more established solar power vendors, and there can be no assurance that the CSI brand name or any of our potential future brand names, will gain acceptance among customers. Moreover, because the range of products we sell under our own brands and those we manufacture for our customers may be substantially similar, there can be no assurance that, currently or in the future, there will not be direct or indirect competition between products sold under the CSI brand, or any of our other potential future brands, and products that we manufacture on an OEM basis. This could negatively affect our relationship with these customers.

If we grant employee share options, restricted shares or other share-based compensation in the future, our net income could be adversely affected.

We adopted a share incentive plan in 2006. As of November 26, 2007, we had issued 1,725,321 share options and 566,190 restricted shares under our share incentive plan. In December 2004, the Financial Accounting Standards Board, or FASB, issued Statement of Financial Accounting Standards, or SFAS, No. 123R, **Share-Based Payment.**

This statement, which became effective in our first quarter of 2006, will prescribe how we account for share-based compensation, and may have an adverse or negative impact on our results of operations or the price of our common shares. SFAS No. 123R requires us to recognize share-based compensation as compensation expense in the statement of operations based on the fair value of equity awards on the date of the grant, with the compensation expense recognized over the period in which the recipient is required to provide service in exchange

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for the equity award. This statement also requires us to adopt a fair value-based method for measuring the compensation expense related to share-based compensation. The additional expenses associated with share-based compensation may reduce the attractiveness of issuing share options or restricted shares under our share incentive plan. However, if we do not grant share options or restricted shares, or reduce the number of share options or restricted shares that we grant, we may not be able to attract and retain key personnel. If we grant more share options or restricted shares to attract and retain key personnel, the expenses associated with share-based compensation may adversely affect our net income.

There have been historical deficiencies with our internal controls and there remain areas of our internal and disclosure controls that require improvement. 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 be adversely impacted.

We are subject to reporting obligations under the U.S. securities laws. The SEC, as required by Section 404 of the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act, adopted rules requiring every public company to include a management report on such company's internal controls over financial reporting in the company's annual report, which contains management's assessment of the effectiveness of the company's internal controls over financial reporting. In addition, an independent registered public accounting firm must attest to and report on management's assessment of the effectiveness of the company's internal controls over financial reporting. These requirements will first apply to our annual report on Form 20-F for the fiscal year ending on December 31, 2007. Our management may conclude that our internal controls over our financial reporting are not effective. Moreover, even if our management concludes that our internal controls over financial reporting is effective, our independent registered public accounting firm may still decline to attest to our management's assessment or may issue a report that is qualified if it is not satisfied with our internal controls or the level at which our controls are documented, designed, operated or reviewed, or if it interprets the relevant requirements differently from us. Our reporting obligations as a public company will place a significant strain on our management, operational and financial resources and systems in the foreseeable future.

Prior to our initial public offering, we were a private company of limited operating history with limited accounting and other resources with which to adequately address our internal controls and procedures. As a result, in our past audits, our auditors had identified material weaknesses and deficiencies with our internal controls. In our audit for the fiscal year ended December 31, 2006, our auditors observed a number of weaknesses and deficiencies with respect to our internal controls under the standards established by the Public Company Accounting Oversight Board. The material weaknesses identified by our independent registered public accounting firm include (i) insufficient accounting resources to properly identify adjustments, analyze transactions and prepare financial statements in accordance with U.S. GAAP, and (ii) a lack of formal accounting policies and procedures for U.S. GAAP to ensure that our accounting policies and procedures are appropriately or consistently applied. Following the identification of these material weaknesses and other deficiencies, we have undertaken remedial steps and plan to continue to take additional remedial steps to address these material weaknesses and deficiencies and to further improve our internal and disclosure controls, including hiring additional staff, training our new and existing staff and installing new enterprise resource planning, or ERP systems, in order to build up a unified and integrated database of our company. In addition, since the beginning of 2007, we have engaged an advisory firm to advise us about complying with requirements of the Sarbanes-Oxley Act, and have hired an individual experienced in handling compliance with the requirements of Sarbanes-Oxley Act. However, if we are unable to remedy the existing material weaknesses and deficiencies in our internal and disclosure controls and procedures, or if we fail to maintain an effective system of internal and 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 common shares may be adversely impacted. Furthermore, we anticipate that we will incur considerable costs and devote significant management time and efforts and other resources to comply with Section 404 of the Sarbanes Oxley Act.

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Risks Related to Doing Business in China

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 subsidiaries in China. These 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 are relatively new and the PRC legal system continues to rapidly evolve, the interpretations of many laws, regulations and rules are not always uniform and enforcement of these laws, regulations and rules involve uncertainties, which may limit legal protections available to us. In addition, any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention.

Fluctuation in the value of the Renminbi may have a material adverse effect on your investment.

The change in value of the Renminbi against the U.S. dollar, Euro and other currencies is affected by, among other things, changes in China's political and economic conditions. On July 21, 2005, the PRC government changed its decade-old policy of pegging the value of the Renminbi to the U.S. dollar. Under the new policy, the Renminbi is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. This change in policy has resulted in an approximately 5.7% appreciation of Renminbi against the U.S. dollar between July 21, 2005 and December 31, 2006. While the international reaction to the Renminbi 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 Renminbi against the U.S. dollar. As a portion of our costs and expenses is denominated in Renminbi, the revaluation in July 2005 and potential future revaluation has and could further increase our costs in U.S. dollar terms. In addition, as we rely entirely on dividends paid to us by our operating subsidiaries in China, any significant revaluation of the Renminbi may have a material adverse effect on our revenues and financial condition, and the value of, and any dividends payable on, our common shares. For example, to the extent that we need to convert U.S. dollars into Renminbi for our operations, appreciation of the Renminbi against the U.S. dollar would have an adverse effect on the Renminbi amount we receive from the conversion. Conversely, if we decide to convert our Renminbi into U.S. dollars for the purpose of making payments for dividends on our common shares or for other business purposes, appreciation of the U.S. dollar against the Renminbi would have a negative effect on the U.S. dollar amount available to us.

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

Certain portions of our revenue 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 common shares. Under China's existing foreign exchange regulations, our PRC subsidiaries are able to pay dividends in foreign currencies, without prior approval from the State Administration of Foreign Exchange, 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.

Foreign exchange transactions by our PRC subsidiaries under most capital accounts continue to be subject to significant foreign exchange controls and require the approval of PRC governmental authorities. In particular, if we finance our PRC subsidiaries by means of additional capital contributions, these capital contributions must be approved by certain government authorities including the Ministry of Commerce or its local counterparts. These

limitations could affect the ability of our PRC subsidiaries to obtain foreign exchange through equity financing.

We may face a potential risk for failing to comply with certain PRC legal requirements.

We are required to comply with the PRC Environmental Protection Law. For example, some of our subsidiaries, such as CSI Luoyang and CSI Cells, are required to have their manufacturing facilities examined and approved by

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the PRC Environmental Protection Agency prior to the start of production. However, due to discrepancies between interpretation of the written law and its application to date, both CSI Luoyang and CSI Cells began production earlier this year without obtaining such approvals. As a result, there is a risk that we may be ordered by the relevant environmental protection administration to cease manufacturing at these operations and face fines. We are currently negotiating with the relevant authorities to complete the examination and obtain the requisite approvals. We will need to undergo similar reviews and obtain approvals prior to launching our solar wafer manufacturing operations. There can be no assurance that we will obtain the necessary approvals for our manufacturing operations in a timely manner, if at all.

Also, some registration certificates of the PRC subsidiaries have expired or have not been updated with current subsidiary registration information, which may result in administrative fines. We are currently conducting efforts to renew and update these certificates with the relevant governmental authorities and are hopeful of obtaining the renewed and updated certificates in a timely manner.

In addition, we adopted a share incentive plan in 2006 that grants employees, including some of our PRC employees, share options and restricted shares. However, we have not yet filed our share incentive plan with SAFE as required by the Implementation Rule of the Individual Foreign Exchange Administrative Measures (SAFE Rules). Since the SAFE Rules were only adopted in February 2007, there is some uncertainty as to how they will be interpreted and implemented. If SAFE subsequently determines that we were required to obtain its approval before allowing our PRC employees to participate in our share incentive plan, this could have an adverse effect on our ability to grant our PRC employees share options and restricted shares.

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

Under current PRC laws and regulations, a foreign invested enterprise, or FIE, in China is typically subject to enterprise income tax, or EIT, at the rate of 30% on taxable income, and local income tax at the rate of 3% on taxable income. The PRC government has provided various incentives to FIEs, including each of our PRC subsidiaries, to encourage the development of foreign investments. Such incentives include reduced tax rates and other measures. FIEs that are determined by PRC tax authorities to be manufacturing companies with authorized terms of operation more than ten years, are eligible for: (i) a two-year exemption from EIT from their first profitable year; and (ii) a 50% reduction in its applicable EIT rate in the succeeding three years. CSI Solartronics is entitled to a preferential EIT rate of 24%, as it is a manufacturing enterprise located in a coastal economic development zone in Changshu. CSI Solartronics first profitable year was 2002 and its initial EIT preferential period ended in 2006. However, CSI Solartronics has been granted a three year extension for the 50% reduction in its EIT rate by Changshu tax authority. Thus, CSI Solartronics is currently subject to an EIT rate of 12%. CSI Solar Manufacturing is entitled to a preferential EIT rate of 15%. CSI Solar Manufacturing s first profitable year was 2005 and it was exempt from EIT until 2006. It is now subject to an EIT rate of 7.5% until 2009. CSI Luoyang and CSI Cells became profitable in 2007. As such, both CSI Luoyang and CSI Cells are exempted from EIT until 2008 and will enjoy a 50% reduction in their applicable EIT rates from 2009 to 2011. CSI Solar Technologies and CSI Advanced are not currently profitable and have therefore not applied for preferential tax treatment. If these subsidiaries turn profitable, they will apply for preferential tax rates and tax holidays. However, with the new PRC EIT law becoming effective on January 1, 2008, a foreign-invested enterprise which has yet to enjoy preferential treatment due to lack of profitability, commencement of the preferential five-year tax holiday will coincide with the year the new EIT law comes into effect, i.e. January 1, 2008. As these tax benefits expire, the effective tax rate of our PRC subsidiaries may increase significantly, and any increase of their EIT rates in the future could have a material adverse effect on our financial condition and results of operations.

In addition, the National People s Congress, the Chinese legislature, passed a new enterprise income tax law, which is scheduled to take effect on January 1, 2008. The new law applies a uniform 25% enterprise income tax rate to both

foreign invested enterprises and domestic enterprises. An enterprise registered under the laws of a jurisdiction outside China may be deemed a Chinese tax resident if its place of effective management is in China and it will consequently be subject to the EIT upon its worldwide income. Existing companies are required to transition to the new EIT rate over a five year period starting January 1, 2008. The PRC State Council has recently promulgated detailed implementation rules for the new Enterprise Income Tax Law. Because the tax law and related

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implementation rules are newly executed, there is uncertainty as to how they will be interpreted and implemented. Although we are carefully monitoring these legal developments and will timely adjust our effective income tax rate when necessary, we cannot assure you that the new Enterprise Income Tax Law will not cause increases in the EIT rates applicable to our PRC subsidiaries, which could have a material adverse effect on our financial condition and results of operations.

Subject to the interpretation of the new enterprise income tax law and its implementation rules, if we are deemed to be a non-PRC tax resident following the implementation of the new Enterprise Income Tax Law, we may be subject to an EIT rate of 10% on the dividends paid to us by our subsidiaries. However, as the PRC has not promulgated further guidance on the applicability of the new law or its related implementation rules, there is uncertainty as to how it will be applied and affect us.

There may be some uncertainty surrounding a recently adopted PRC regulation that requires certain offshore listings to be approved by the China Securities Regulatory Commission.

On August 8, 2006, six PRC regulatory agencies, including the China Securities Regulatory Commission, or CSRC, promulgated a regulation that took effect on September 8, 2006. This regulation, among other things, requires offshore special purpose vehicles, or SPVs, formed for listing purposes through acquisitions of PRC domestic companies and controlled by Chinese domestic companies or PRC individuals to obtain the approval of the CSRC prior to publicly listing their securities on an overseas stock exchange. On September 21, 2006, the CSRC published 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, that this regulation does not apply to us and that CSRC approval is not required because we are not an SPV covered by the new regulation as we are owned and controlled by non-PRC individuals and entities, and all our PRC subsidiaries are foreign-funded and have been incorporated through our direct investment instead of acquisition. However, since the regulation has been adopted only for a few months, there may be some uncertainty as to how this regulation will be interpreted or implemented. If the CSRC or other PRC regulatory body subsequently determines that we needed to obtain the CSRC's approval for our initial public offering in November 2006, we may face sanctions by the CSRC or other PRC regulatory agencies. In such event, these regulatory agencies may impose fines and penalties on our operations in the PRC, limit our operating privileges in the PRC, 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 common shares. In the future, we may grow our business in part by directly acquiring complementary businesses. Complying with the requirements of the new regulations and any other PRC laws to complete such transactions could be time consuming, and any required approval processes, including obtaining approval from the PRC regulatory agencies, may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share.

We face risks related to health epidemics and other outbreaks.

Our business could be adversely affected by the effects of avian flu or another epidemic or outbreak. From 2005 to 2007, there have been reports on the occurrences of avian flu in various parts of China, including a few confirmed human cases and deaths. Any prolonged recurrence of avian flu or other adverse public health developments in China may have a material adverse effect on our business operations. These could include our ability to travel or ship our products outside of 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 or any other epidemic.

Risks Related to Our Common Shares

The market price for our common shares may be volatile.

The market price for our common shares has been and may continue to be highly volatile and subject to wide fluctuations during the period from November 9, 2006, the first day on which our common shares were listed on the Nasdaq Global Market, until March 26, 2008, the trading prices of our common shares ranged from \$6.50 to

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\$31.44 per share and the closing sale price on March 26, 2008 was \$21.71 per share. The market price for our common shares may continue to be volatile and subject to wide fluctuations in response to factors including the following:

- announcements of technological or competitive developments;
- regulatory developments in our target markets affecting us, our customers or our competitors;
- 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 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 common shares; and
- sales or perceived sales of additional common shares.

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

Substantial future sales or perceived sales of our common shares in the public market could cause the price of our common shares to decline.

Sales of our common shares in the public market, or the perception that these sales could occur, could cause the market price of our common shares to decline. As of February 14, 2008, we had 27,320,389 common shares outstanding, excluding restricted shares granted but yet to be vested and subject to restrictions on voting and dividend rights and transferability. In addition, the common shares outstanding will increase and be available for sale when certain option holders receive our common shares if they exercise their share options upon vesting, subject to volume, holding period and other restrictions as applicable under Rule 144 and Rule 701 under the Securities Act. To the extent these shares are sold into the market, the market price of our common shares could decline.

Your right to participate in any future rights offerings may be limited, which may cause dilution to your holdings.

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. 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.

Our articles of continuance contain anti-takeover provisions that could adversely affect the rights of holders of our common shares.

We adopted an amendment to our articles of continuance that became effective immediately upon the closing of our initial public offering. We have included certain provisions in our amended articles of continuance that would limit the ability of others to acquire control of our company, and deprive our shareholders of the opportunity to sell their shares at a premium over the prevailing market price by discouraging third parties from seeking to obtain control of our company in a tender offer or similar transactions.

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We have included the following provisions in our amended articles of continuance that may have the effect of delaying or preventing a change of control of our company:

Our board of directors has the authority, without approval by the shareholders, to issue an unlimited number of preferred shares in one or more series. Our board of directors may establish the number of shares to be included in each such series and may fix the designations, preferences, powers and other rights of the shares of a series of preferred shares.

Our board of directors shall fix and may change the number of directors within the minimum and maximum number of directors provided for in our articles. Our board of directors may appoint one or more additional directors, who shall hold office for a term expiring no later than the close of the next annual meeting of shareholders, subject to the limitation that the total number of directors so appointed may not exceed one-third of the number of directors elected at the previous annual meeting of shareholders.

You may have difficulty enforcing judgments obtained against us.

We are a corporation organized under the laws of Canada and substantially all of our assets are located outside of the United States. Substantially all of our current operations are conducted in the PRC. In addition, most of our directors and officers, are nationals and residents of countries other than the United States. A substantial portion of the assets of these persons are located outside the United States. As a result, it may be difficult for you to effect service of process within the United States upon these persons. It may also be difficult for you to enforce in U.S. courts, judgments obtained in U.S. courts based on the civil liability provisions of the U.S. federal securities laws against us and our officers and directors, most of whom are not residents in the United States and the substantial majority of whose assets are located outside of the United States. In addition, we have been advised by our Canadian counsel that a monetary judgment of a U.S. court predicated solely upon the civil liability provisions of U.S. federal securities laws would likely be enforceable in Canada if the U.S. court in which the judgment was obtained had a basis for jurisdiction in the matter that was recognized by a Canadian court for such purposes. We cannot assure you that this will be the case. It is unlikely that an action could be brought in Canada in the first instance for civil liability under U.S. federal securities laws. There is uncertainty as to whether the courts of the PRC would recognize or enforce judgments of U.S. courts against us or such persons predicated upon the civil liability provisions of the securities laws of the United States or any state. In addition, it is uncertain whether such PRC courts would be competent to hear original actions brought in the PRC against us or such persons predicated upon the securities laws of the United States or any state.

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