

JA Solar Holdings Co., Ltd.
Form 20-F
April 30, 2012
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 20-F

(Mark One)

- REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**
- OR**
- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2011
- OR**
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
- OR**
- SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Date of event requiring this shell company report

For the transition period from to

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Commission file number 001-33290

JA Solar Holdings Co., Ltd.
(Exact name of Registrant as specified in its charter)

The Cayman Islands
(Jurisdiction of Incorporation or Organization)

No. 36, Jiang Chang San Road

Zhabei, Shanghai

The People's Republic of China
(Address of Principal Executive Offices)

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The People's Republic of China

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

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

Title of Each Class	Name of Each Exchange On Which Registered
American depositary shares, each representing one ordinary share, par value US\$0.0001 per share	The NASDAQ Stock Market LLC
Ordinary shares, par value US\$0.0001 per share*	

* Not for trading but only in connection with the registration of American depositary shares

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

None
(Title of Class)

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

None
(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report: 202,238,307 ordinary shares, par value US\$0.0001 per share, as of December 31, 2011.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes o No x

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes o No x

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or such shorter period that the registrant was required to submit and post such files).

Yes x No o

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

Large accelerated filer x

Accelerated filer o

Non-accelerated filer o

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

US GAAP

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

Other

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

Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

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

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

Yes No

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CERTAIN TERMS AND CONVENTIONS

Unless otherwise indicated, in this annual report:

- ADS refers to American depositary shares, each representing one ordinary share of JA Solar, par value US\$0.0001 per share;
- China and the PRC refer to the People's Republic of China, excluding, for the purposes of this annual report only, Taiwan and the special administrative regions of Hong Kong and Macau;
- conversion efficiency refers to the ability of solar power products to convert sunlight into electricity; conversion efficiency rate is commonly used in the solar power industry to measure the percentage of light energy from the sun that is actually converted into electricity;
- cost per watt and price per watt refer to the cost and price of solar power products, respectively, relative to the number of watts of electricity a solar power product generates;
- Hebei Jinglong refers to Hebei Jinglong Industry and Commerce Group Co., Ltd., which is controlled by the shareholders of Jinglong BVI;
- JA BVI refers to JA Development Co., Ltd., our directly wholly-owned subsidiary, a British Virgin Islands company;
- JA Fengxian refers to Shanghai JA Solar Technology Co., Ltd., our indirectly wholly-owned subsidiary in Shanghai, China;
- JA Hebei refers to JingAo Solar Co., Ltd., our predecessor and indirectly wholly-owned subsidiary in Hebei, China;
- JA Hefei Renewable Energy refers to JA (Hefei) Renewable Energy Co., Ltd., our indirectly wholly-owned subsidiary in Hefei, China;

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- JA Hefei Technology refers to Hefei JA Solar Technology Co., Ltd., our indirectly wholly-owned subsidiary in Hefei, China;
- JA Lianyungang refers to Jing Hai Yang Semiconductor Materials (Donghai) Co., Ltd., our indirectly wholly-owned subsidiary in Jiangsu, China;
- JA Solar, we, us, the company, our company and our refer to JA Solar Holdings Co., Ltd. and, unless otherwise indicated or a context may otherwise require, its predecessor entities and its consolidated subsidiaries;
- JA Wafer R&D refers to Donghai JA Solar Technology Co., Ltd., our indirectly wholly-owned subsidiary in Jiangsu, China;
- JA Yangzhou refers to JA Solar Technology Yangzhou Co., Ltd., our indirectly wholly-owned subsidiary in Jiangsu, China;
- JA Yangzhou PV Engineering refers to Yangzhou JA Solar PV Engineering, our indirectly wholly-owned subsidiary in Jiangsu, China;
- JA Yangzhou R&D refers to Yangzhou JA Solar R&D Co., Ltd., our indirectly wholly-owned subsidiary in Jiangsu, China;
- JA Zhabei refers to Shanghai JA Solar PV Technology Co., Ltd., our indirectly wholly-owned subsidiary in Shanghai, China;

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- **Jinglong BVI** refers to Jinglong Group Co., Ltd., a British Virgin Islands company and our largest shareholder;
- **Jinglong Group** refers to Hebei Jinglong and its consolidated subsidiaries;
- **Lehman Entities** shall include Lehman Brothers Holdings Inc. and its subsidiaries, including Lehman Brothers Inc., Lehman Brothers International (Europe), Lehman Brothers Treasury Co. BV and Lehman Brothers OTC Derivatives Inc.
- **rated manufacturing capacity** refers to the total amount of solar power products that can be made by a manufacturing line per annum operating at its maximum possible rate and is measured in megawatts, or MW;
- **RMB** and **Renminbi** refer to the legal currency of the PRC;
- **Solar Silicon Valley** refers to Solar Silicon Valley Electronics Science and Technology Co., Ltd., our indirectly wholly-owned subsidiary in Hebei, China;
- **US\$** and **U.S. dollars** refer to the legal currency of the United States;
- **voltage** or **volts** refers to the rating of the amount of electrical pressure that causes electricity to flow in the power line; and
- **watts** refers to the measurement of total electrical power, where **kilowatts** or **KW** means one thousand watts, **megawatts** or **MW** means one million watts and **gigawatts** or **GW** means one billion watts.

FORWARD-LOOKING STATEMENTS

This annual report includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical facts, included in this annual report that address activities, events or developments which we expect or anticipate will or may occur in the future are hereby identified as forward-looking statements for the purpose of the safe harbor provided by Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934.

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Forward-looking statements typically are identified by words or phrases such as may, will, expect, anticipate, aim, estimate, intend, believe, potential, continue, is/are likely to or other similar expressions or the negative of these words or expressions. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy and financial needs. These forward-looking statements include, among other things, statements relating to:

- our expectations regarding the worldwide demand for electricity and the market for solar energy;
- 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 incentives for the deployment of solar energy;
- our beliefs regarding the solar power industry revenue growth;
- our expectations with respect to advancements in our technologies;
- our beliefs regarding the low-cost advantage of solar power product production in China;
- our beliefs regarding the competitiveness of our solar power products;
- our expectations regarding the scaling of our solar power capacity;
- our expectations with respect to increased revenue growth and our ability to achieve profitability resulting from increases in our production volumes;
- our expectations with respect to our ability to secure raw materials in the future;

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- our expectations with respect to our ability to develop relationships with customers in our target markets;
- our future business development, results of operations and financial condition; and
- competition from other manufacturers of solar power products and conventional energy suppliers.

The forward-looking statements made in this annual report on Form 20-F relate only to events or information as of the date on which the statements are made in this annual report on Form 20-F. Except as required by law, we undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events. You should read this annual report on Form 20-F completely and with the understanding that our actual future results may be materially different from what we expect.

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

A. SELECTED FINANCIAL DATA

The selected consolidated statements of operations data presented below for the three years ended December 31, 2009, 2010 and 2011 and our balance sheet data as of December 31, 2010 and 2011 have been prepared in accordance with U.S. generally accepted accounting principles

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(U.S. GAAP) and are derived from our audited consolidated financial statements included elsewhere in this annual report, which have been audited by PricewaterhouseCoopers Zhong Tian CPAs Limited Company, an independent registered public accounting firm. Our selected consolidated statements of operations data for the years ended December 31, 2007 and 2008 and selected consolidated balance sheet data as of December 31, 2007, 2008 and 2009 have been derived from our audited consolidated financial statements that are not included in this annual report on Form 20-F. Historical results are not necessarily indicative of results to be expected in any future period.

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	Year ended December 31,				
	2007	2008	2009	2010	2011
	(in millions, except for share and per share data)				
	RMB	RMB	RMB	RMB	RMB
Consolidated Statements of Operations Data:					
Net revenues					
Solar modules to third parties	92.9	425.6	82.6	2,510.6	3,709.3
Solar cells and other products to third parties	2,439.5	4,368.4	3,283.9	8,023.9	6,151.1
Solar cells and other products to related parties	62.2	508.0	5.2	160.4	71.7
Engineering, procurement and construction to third parties					146.5
Solar products processing to third parties	99.1	156.3	406.9	1,065.9	654.3
Total revenues	2,693.7	5,458.3	3,778.6	11,760.8	10,732.9
Cost of revenues					
Solar modules	(74.0)	(378.5)	(90.7)	(2,221.5)	(3,427.8)
Solar cells and other products to third parties	(1,943.1)	(3,615.3)	(2,980.8)	(6,357.8)	(6,170.8)
Solar cells and other products to related parties	(49.5)	(420.4)	(4.7)	(127.1)	(71.9)
Engineering, procurement and construction					(108.4)
Solar products processing	(26.2)	(52.1)	(220.3)	(508.0)	(492.7)
Total cost of revenues	(2,092.8)	(4,466.3)	(3,296.5)	(9,214.4)	(10,271.6)
Gross profit	600.9	992.0	482.1	2,546.4	461.3
Selling, general and administrative expenses	(150.3)	(271.5)	(325.2)	(457.8)	(509.8)
Research and development expenses	(4.2)	(28.5)	(45.1)	(63.8)	(68.9)
Impairment loss on property, plant and equipment			(18.1)	(47.3)	(303.1)
Total operating expenses	(154.5)	(300.0)	(388.4)	(568.9)	(881.8)
Income/(loss) from continuing operations	446.4	692.0	93.7	1,977.5	(420.5)
Impairment on available-for-sale securities		(686.3)			
Change in fair value of derivatives		564.0	(49.1)	74.5	84.9
Convertible notes buy back gain/(loss)		161.3	(24.1)		4.3
Interest expense	(6.6)	(172.3)	(231.5)	(221.2)	(373.7)
Interest income	62.6	42.7	12.0	12.8	25.8
Foreign exchange (loss)/gain	(112.8)	(132.2)	4.6	(74.4)	(69.0)
Loss for equity investment in a joint venture					(1.8)
Investment loss		(28.6)	(2.3)		
Loss on share lending agreement		(469.0)			
Other income, net	5.2	3.6	7.8	258.7	235.7
Income/(loss) from continuing operations before income taxes	394.8	(24.8)	(188.9)	2,027.9	(514.3)
Income tax benefit/(expense)	5.6	(23.9)	(8.0)	(252.7)	(57.8)

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Income/(loss) from continuing operations	400.4	(48.7)	(196.9)	1,775.2	(572.1)
Income/(loss) from discontinued operations, net of tax			3.4	(19.8)	
Gain from sales of discontinued operations, net of tax					7.8
Net income/(loss) attributable to ordinary shareholders	400.4	(48.7)	(193.5)	1,755.4	(564.3)
Net income/(loss) per share from continuing operations:					
Basic	2.96	(0.31)	(1.22)	10.90	(3.42)
Diluted	2.93	(5.13)	(1.22)	10.72	(3.42)
Net income/(loss) per share from discontinued operations:					
Basic			0.02	(0.12)	0.04
Diluted			0.02	(0.12)	0.04
Net income/(loss) per share					
Basic	2.96	(0.31)	(1.20)	10.78	(3.38)
Diluted	2.93	(5.13)	(1.20)	10.61	(3.38)
Weighted average number of shares outstanding:					
Basic	134,525,226	156,380,060	161,643,312	162,900,657	167,101,076
Diluted	136,721,772	167,438,190	161,643,312	171,116,684	167,101,076
Operating Data:					
Products sold (in MW)	132.9	277.4	508.8	1,462.6	1,694.7
Average PV cells selling price per watt	22.5	22.1	9.0	8.7	5.7

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	2007	2008	As of December 31, 2009 (in millions)	2010	2011
	RMB	RMB	RMB	RMB	RMB
Consolidated Balance Sheet Data:					
Cash and cash equivalents	736.0	1,542.8	1,867.2	2,289.5	3,889.1
Total current assets	3,491.1	3,830.4	3,661.3	6,418.2	7,709.1
Total assets	4,570.5	7,279.2	7,462.2	11,619.4	14,735.6
Total current liabilities	433.1	870.8	629.2	2,043.6	3,325.3
Total liabilities	434.0	2,524.3	2,639.6	4,939.2	8,186.9
Shareholders' equity	4,136.5	4,754.9	4,822.6	6,680.2	6,548.7

Exchange Rate Information

Our functional currency is Renminbi. The noon buying rate for U.S. dollars in effect on December 30, 2011 in New York City for cable transfers of Renminbi as certified for customs purposes by the Federal Reserve Bank of New York was at RMB6.2939 to US\$1.00. We make no representation that any amounts of Renminbi or U.S. dollars could be or could have been converted into each other at any particular rate or at all. See Item 3. Key Information D. Risk Factors Risks Related to Doing Business in China Fluctuation in exchange rates could have a material adverse effect on our results of operations and the value of your investment. On April 20, 2012, the noon buying rate was RMB6.3080 to US\$1.00.

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The following table sets forth, for the periods indicated, the noon buying rates for U.S. dollars in New York City for cable transfers of Renminbi as certified for customs purposes by the Federal Reserve Bank of New York:

Period	Period End	Noon buying rate		
		Average(1) (RMB per US\$1.00)	High	Low
2007	7.2946	7.5806	7.8127	7.2946
2008	6.8225	6.9193	7.2946	6.7800
2009	6.8259	6.8295	6.8470	6.8176
2010	6.6000	6.7696	6.8330	6.6000
2011	6.2939	6.4630	6.6364	6.2939
October	6.3547	6.3710	6.3825	6.3534
November	6.3765	6.3564	6.3839	6.3400
December	6.2939	6.3482	6.3733	6.2939
2012				
January	6.3080	6.3119	6.3330	6.2940
February	6.2935	6.2997	6.3120	6.2935
March	6.2975	6.3125	6.3315	6.2975
April (through April 20, 2012)	6.3080	6.3052	6.3150	6.2975

Source for 2007-2008: Federal Reserve Bank of New York.

Source for 2009-2012: the H.10 statistical release of the Federal Reserve Board.

(1) Annual averages are calculated by averaging the noon buying rates on the last business day of each month. Monthly averages are calculated using the average of the daily rates during the relevant period.

B. CAPITALIZATION AND INDEBTEDNESS

Not applicable.

C. REASONS FOR THE OFFER AND USE OF PROCEEDS

Not applicable.

D. RISK FACTORS

Risks Related to Our Business and Industry

Our business is sensitive to global economic conditions. A severe or prolonged downturn in the global or Chinese economy could materially and adversely affect our business and our financial condition.

The global financial markets experienced significant disruptions in 2008 and the United States, Europe and other economies went into recession. The recovery from the lows of 2008 and 2009 was uneven and it is facing new challenges, including the escalation of the European sovereign debt crisis since 2011. It is unclear whether the European sovereign debt crisis will be contained and what effects it may have. There is considerable uncertainty over the long-term effects of the expansionary monetary and fiscal policies that have been adopted by the central banks and financial authorities of some of the world's leading economies, including China's. There have also been

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concerns over unrest in the Middle East and Africa, which have resulted in higher oil prices and significant market volatility, and over the possibility of a war involving Iran. There have also been concerns about the economic effect of the earthquake, tsunami and nuclear crisis in Japan. Economic conditions in China are sensitive to global economic conditions. Any prolonged slowdown in the global or Chinese economy may have a negative impact on our business, results of operations and financial condition.

Changes in international trade policies and international barriers to trade, in particular, the anti-dumping and countervailing duty investigation currently conducted by the U.S. Department of Commerce and the International Trade Commission, may adversely affect our ability to export our products to certain countries and certain customers.

In October 2011, in response to an anti-dumping and countervailing duty petition filed by SolarWorld and six other U.S. solar power product manufacturers, the U.S. Department of Commerce, or U.S. DOC, and the International Trade Commission, or ITC, initiated an investigation against Chinese solar power product manufacturers who export solar power products to the U.S. market. The purpose of the investigation is to determine whether the alleged dumping and illegal subsidies occurred, and, if so, the dumping margin and the subsidy amount. The U.S. DOC announced its preliminary countervailing duty decision on March 20, 2012 and determined that Chinese manufacturers receive countervailable subsidies between 2.9% and 4.73%, with Suntech Power Holding Company Ltd. receiving a 2.9% subsidy rate, Trina Solar Ltd. receiving a 4.73% rate, and all other producers receiving a 3.61% rate. U.S. DOC also preliminarily determined that the anti-dumping and countervailing investigation apply only to solar cells manufactured in China, as well as solar panels and modules, regardless of where manufactured, incorporating such cells. The investigation would not apply to solar panels or modules manufactured in China from solar cells manufactured in a third country. The preliminary decision on the anti-subsidy side will be followed by another preliminary decision for anti-dumping, scheduled for May 16, 2012. The preliminary decision has triggered deposit requirements at the preliminary rates on imports into the U.S. market. Import deposit requirements resulting from the preliminary or final decisions would impose a retroactive requirement to make deposits, which could be substantial, and increase our cost of revenues, therefore adversely affecting our sales to the U.S. market and results of operations. We currently sell a small portion of our solar power products to the U.S. market, which accounted for 6.5% of our total revenues in 2011. However, no final tariff decisions will be made until ITC completes its investigation as well, which is scheduled to occur before the end of 2012. If the final decisions impose additional duties on imports of solar power products into the U.S., the duties are expected to be applied retroactively on imports entered into the U.S. market from the date of the preliminary decision, and our sales to the U.S. market can be materially and adversely affected.

The net revenues generated from sales to the European market account for 28% and 31% of our total revenues in 2010 and 2011, respectively. If the European Competition Commission determines to initiate similar anti-dumping and countervailing duty investigation, our sales to the European market may be materially and adversely affected.

Besides the ongoing anti-dumping and countervailing duty investigation in the U.S. and the uncertainties in the European market, we and our customers may be affected by any other claims of unfair trade practices that are brought against the PRC government through the imposition of tariffs, non-tariff barriers to trade or other trade remedies. In September 2010, the United Steel Workers, or USW, filed a petition with the United States Trade Representative, or USTR, alleging that PRC government has engaged in unfair trade policies and practices with respect to certain domestic industries, including the solar power industry. Subsequently, USTR initiated an investigation under Section 301 of the United States Trade Act of 1974, as amended. A substantial portion of the claims under USW's petition have been addressed during the investigation, and USTR will continue to investigate the remaining USW allegations even though no formal action is being taken under Section 301. Although we believe we will not be directly affected by the results of this investigation, there can be no assurance that any government or international trade body will not institute adverse trade policies or remedies or similar against exports from China in the future. Any significant changes in international trade policies, practices or trade remedies, especially those instituted in our target markets or markets where our major customers are located, could increase the price of our products compared to those of our competitors or decrease our customers' demand for our products, which may adversely affect our business prospects and results of operations.

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

We are affected by solar power market and industry trends. In the fourth quarter of 2008 and the first half of 2009, the global solar power industry experienced a significant decline in demand due to decreases in expenditures on solar power systems and the availability of financing for buyers of solar power products as a result of the global financial crisis. Meanwhile, increased manufacturing capacity of solar power products coupled by decreased demand for polysilicon caused a substantial decline in prices of solar power products. Similarly in 2011, various European countries reduced subsidies, such as feed-in tariff, which is designed to require public utility companies to pay higher prices for solar power than for power generated through conventional means. Combined with other factors such as the European sovereign debt crisis, lack of available financing to solar power projects and an oversupply of solar power products, the average selling prices of solar power products have declined significantly. We expect that cost reduction in the solar power industry will continue and prices of our products will be materially and adversely affected.

The demand for solar power products is also influenced by macroeconomic factors, including the global economic development, credit market, the supply and prices of other energy products, such as oil, coal and natural gas, as well as government regulations and policies concerning the electric utility industry. A decrease in oil prices, for example, may reduce demand for investment in alternative energy. If such negative market and industry trends continue in the future, the prices of our solar power products could decrease and our business and results of operations may be materially and adversely affected.

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

Demand for our products depends substantially on government incentives aimed to promote greater use of solar power. Countries that provide significant incentives for solar power include Germany, Italy, Spain, Japan, the United States, Bulgaria, Belgium, India, Canada and China, among others. In many countries that constitute our major markets, solar power systems, particularly those for on-grid applications, would not be commercially viable without government incentives because the cost of generating electricity from solar power currently exceeds the cost of generating electricity from conventional or other non-solar renewable energy sources.

The scope of government incentives for solar power depends, to a large extent, on political and policy developments relating to environmental concerns in a given country. Policy shifts could reduce or eliminate these government economic incentives altogether. For example, the rapid rises of the German, Spanish and Italian solar power markets in 2010 were largely due to the government policies of those countries that set feed-in tariff terms at attractive rates. However, the escalation of the European sovereign debt crisis since 2011 has affected the fiscal ability of several governments to offer incentives for the solar power industry. For example, Germany, our largest solar power products market in 2011, has continued to introduce cuts in feed-in tariff since 2010, after installations in the market exceeded government expectation in 2009 and in the following years. Spain was the largest PV market in the world in 2008, but the introduction of various legislation to the PV industry has significantly reduced the market size in Spain. Several other countries, including France, Greece and Belgium have continued to reduce their feed-in tariffs as well as other incentive measures in 2011 and the first quarter of 2012. Any significant reduction in the scope or discontinuation of government incentive programs, especially those in significant markets such as European countries, could cause demand for our products and our revenues to decline, and have a material and adverse effect on our business, financial condition, results of operations and prospects.

The market for power generation products is also heavily influenced by government regulations and policies concerning the electric utility industry, as well as internal policies of electric utilities companies. These regulations and policies often relate to electricity pricing, safety, utility

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interconnection, metering and related matters. End users' purchases of alternative energy sources, including solar power products, could be deterred by unfavorable changes in regulations and policies, which could result in a significant reduction in the potential demand

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for our solar power products. For example, public utility companies commonly charge fees to larger, industrial customers for disconnecting from the electricity transmission grid or for having the capacity to use power from the electricity transmission grid for back-up purposes. These fees could increase end users' costs of using our solar power products and make products that use our solar power products less desirable, thereby having an adverse effect on our business, financial condition, results of operations and prospects.

The execution of our growth strategy depends on the continued availability of financing to our customers as well as third-party financing arrangements for end-users of our products, and is affected by general economic conditions.

Given the general economy, particularly the tightening of credit markets, we have extended credit to many new and existing customers or provided them with improved credit terms, including increasing credit limits and extending the time period before payments are due, ultimately increasing our accounts receivable and exposure to credit risks of our customers. In addition, we expect our receivables to further increase as a result of the expansion of our solar module business, which typically requires producers to grant longer credit terms to customers. We are exposed to the credit risk of our customers, some of which are new customers with whom we have not historically had extensive business dealings. Starting from May 2011, we began to insure part of our overseas sales through China Export & Credit Insurance Corporation, or Sinasure. As of December 31, 2011 and March 31, 2012, 21.25% and 28.71% of our total overseas accounts receivable was insured by Sinasure, respectively. The amount of insurance coverage for each transaction is based on a rating assigned by Sinasure to the customer based on such customer's credit history. However, we cannot assure you that all our accounts receivable are sufficiently covered or that Sinasure will be able to make payments on our claims. Our balance of provision for doubtful accounts increased during from RMB 7.0 million in 2010 to RMB 32.6 million in 2011 due to the increased amount and aging of some of our accounts receivables. The failure of any of our new or existing customers to meet their payment obligations would deteriorate our working capital and materially and adversely affect our financial position, liquidity and results of operations.

Furthermore, our products are components of solar power and energy systems, which are used in both on-grid applications and off-grid applications. Government agencies and the private sector have, from time to time, provided financing on preferential terms to promote the use of solar energy in both on-grid and off-grid applications. We believe that the availability and cost of such financing programs could have a significant effect on the level of sales of solar power products. If existing financing programs for on-grid and off-grid applications are eliminated or if financing in general become inaccessible or inadequate, the growth of the market for on-grid and off-grid applications may be materially and adversely affected, which could cause sales of our solar power products to decline.

Due to the general reduction in available credit to would-be borrowers, customers may be unable or unwilling to finance the cost of our products, or parties that have historically provided this financing may cease to do so, or only do so on terms that are substantially less favorable for us or our customers. In addition, a rise in interest rates would likely increase the cost of financing to end users of our products and could reduce their profits and expected returns on investment in our products. A protracted disruption in the ability of our significant customers or downstream players to access sources of liquidity could cause serious disruptions to or an overall deterioration in their businesses. This could lead to a significant reduction in their future orders for our products and cause their inability or failure to meet their payment obligations to us, any of which could have a material adverse effect on our business, financial condition, results of operations and prospects.

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

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Historically, revenues from customers in China represented a significant portion of our overall revenues. Our revenues from customers outside China increased from 26.2% in 2009 to 48.3% in 2011. The stability and viability of any existing, new or potential overseas markets are subject to many uncertainties and may expose us to a number of risks, including:

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- 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;
- fluctuations in currency exchange rates;
- difficulty in engaging and retaining distributors who are knowledgeable about, and can function effectively in, overseas markets;
- increased costs associated with maintaining the ability to understand local markets and follow their trends, as well as develop and maintain effective marketing and distributing presence in various countries;
- increased costs associated with providing customer service and support in these markets;
- difficulty and costs relating to compliance with the different commercial and legal requirements of the overseas markets in which we offer our products;
- failure to develop appropriate risk management and internal control structures tailored to overseas operations;
- failure to obtain or maintain certifications for our products in these markets; and
- failure to obtain, maintain or enforce intellectual property rights.

If we are unable to effectively manage these risks, we may not be able to successfully expand and grow our business as we have planned.

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

We commenced business operations in May 2005 and have since grown rapidly. Our solar cell manufacturing capacity increased from 25 MW in 2006 to 2.8 GW in 2011. We expanded our business to solar module production in the fourth quarter of 2009 and our manufacturing capacity for solar module at the end of 2011 has reached 1.2 GW. We expect that our manufacturing capacity for solar module will increase to 2 GW by the

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end of 2012. As a result, we may need to install and operate new or expanded facilities, secure additional supplies of key raw materials, such as polysilicon and silicon wafers, and expand, train and manage our growing employee base. Our business and manufacturing capacity expansion will also place additional burdens on our research, sales, marketing and general managerial resources. Furthermore, we may not always have access to sufficient funds to support the expansion of our business.

We cannot assure you that our current and planned operations, personnel, systems and internal procedures and controls will be adequate to support our expansion plans. In addition, we may experience underutilization of our expanded production capacities if there is insufficient demand for our products. If we are unable to manage our expansion effectively, our results of operations may be materially and adversely affected.

Difficulties in identifying, consummating and integrating acquisitions and potential write-off in connection with acquisitions may have a material and adverse effect on our business and results of operations.

As part of our growth strategy, we have acquired, and may in the future acquire, companies that are complementary to our business. For instance, in November 2011, we completed the acquisition of 100% equity interests in Silver Age Holdings Limited, or Silver Age, a British Virgin Islands company that owns 100% of Solar Silicon Valley, in order to increase our silicon wafer manufacturing capability, secure wafer supplies and reduce costs of silicon wafers for our solar cell manufacturing. Silver Age was 70% owned by Jinglong BVI, our largest shareholder, and 30% owned by an independent third party. Past and future acquisitions may expose us to potential risks, including risks:

- the integration of new operations and the retention of customers and personnel;

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- unforeseen or hidden liabilities;
- the diversion of resources from our existing business and technology;
- failure to achieve synergies with our existing business as anticipated;
- failure of the newly acquired business, technologies, services and products to perform as anticipated;
- inability to generate sufficient revenue to offset additional costs;
- the costs of acquisitions; or
- the potential loss of or harm to relationships with our employees, customers or suppliers resulting from our integration of new businesses.

Any of the potential risks listed above could have a material and adverse effect on our ability to manage our business and our results of operations.

We have expanded our business into upstream and downstream markets for a short period of time and plan to continue implementing our integration strategy. Any failure to successfully implement this strategy could have a material adverse effect on our growth, results of operations and business prospects.

We have expanded into upstream and downstream markets, such as silicon wafer and solar module businesses since the fourth quarter of 2009 as well as engineering, procurement and construction, or EPC, business since the third quarter of 2011. Our ability to successfully implement our upstream and downstream business integration is subject to various risks and uncertainties, including:

- our short history in the new businesses;

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- our possible lack of competitiveness in product quality and cost structure in the new businesses;
- the need for additional capital to finance our new business operations, which may not be available on reasonable terms or at all;
- the need to recruit additional skilled employees, including technicians and managers at different levels;
- the solar module business typically requires us to grant longer credit terms to our customers and to maintain a higher level of inventory, resulting in longer cash conversion cycles compared with our traditional solar cell business;
- our expanded warranty liabilities associated with the solar module business, with the warranty period for solar modules lasting for 10 to 25 years;
- our current warranty accrual of 1% of our net revenues from sales of solar modules may not be adequate and we may have to incur substantial expense to repair or replace defective solar modules in the future;
- the business model and key success factors of our EPC service are significantly different from those of our traditional business in solar power product manufacturing;
- potential conflict with our downstream customers as a result of our direct competition with them in the solar module and EPC businesses; and
- new risks associated with the silicon wafer, solar module and EPC service businesses yet to be fully understood by the industry and market.

If we are unable to effectively manage these risks, we may not be able to successfully operate these new businesses and achieve the expected value of vertical business integration.

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In addition, the expansion into the downstream solar module market has resulted in substantial changes to our business, including, among others, the change of our customer base and product mix. Our customer base has evolved from primarily module manufacturers and distributors to include system integrators and solar power project developers. We have limited experience managing relationships with these new customers. We may not be able to manage our business expansion strategy as planned and our results of operations may be adversely affected.

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

We face significant specific counterparty risk under long-term supply contracts when dealing with suppliers without a long, stable production and financial history. We make prepayments to these suppliers for procurement of polysilicon, ingots or wafers without receiving collateral to secure such payments. In the event any such supplier experiences financial difficulties, or even bankruptcy, it may be difficult or impossible, or may require substantial time and expenses, for us to recover any or all of our prepayments.

For example, in 2010, one of our long-term suppliers failed to deliver silicon wafers pursuant to contractual terms and we initiated legal actions to seek remedies and eventually settled these suits. Also in 2011, another one of our long-term suppliers failed to deliver silicon wafers pursuant to contractual terms, and we recorded a provision of prepayment of RMB 42.2 million while the legal proceeding against such supplier is still in process. More importantly, M.SETEK, historically one of our major suppliers, failed to make majority of the scheduled delivery after a magnitude-9 earthquake struck Japan and triggered a tsunami affecting vast areas in Japan. As a result, we entered into a framework agreement with M.SETEK in March 2012 regarding repayment of the prepayment owed by M.SETEK, under which (i) M.SETEK will use the dividends distributed by Hebei Ningjin Songgong Semiconductor Co., Ltd., or Ningjin Songgong, to repay part of prepayments, (ii) M.SETEK will transfer its 65% equity interests in Ningjin Songgong to us at an appraisal price, which will be used to offset part of the remaining unpaid prepayments, and (iii) M.SETEK will continue to deliver polysilicon to fully utilize the remaining unpaid prepayments, if any. These efforts incurred legal expenses and distracted our management attention. If legal actions were required to recover our prepayments, our claims for such prepayments would rank as unsecured claims, which expose us to the credit risks of our suppliers in the case of an insolvency or bankruptcy of such suppliers. Under such circumstances, our claims against the suppliers would rank below those of secured creditors, which would undermine our chances of obtaining the return of the prepayments. Accordingly, if a supplier to which we make prepayment defaults on its obligations under a supply contract, we may not be able to recover all or a portion of our outstanding prepayment, which may have a material adverse effect on our financial condition, results of operations and liquidity.

Our ability to adjust our raw materials costs may be limited as a result of our entering into long-term supply agreements with many of our polysilicon and silicon wafer suppliers, and it may be difficult for us to respond in a timely manner to rapidly changing market conditions, which could materially and adversely affect our cost of revenues and profitability.

In order to secure adequate and timely supply of polysilicon and silicon wafers, we entered into a number of long-term supply agreements for polysilicon, ingots and wafers with a limited number of suppliers, including Hebei Jinglong, Jiangsu Zhongneng Polysilicon Technology Development Co., Ltd., an affiliate of GCL-Poly Energy Holdings Limited, or GCL, Wacker Chemie AG, or Wacker, OCI Company Ltd., or OCI, and Hemlock Semiconductor Pte. Ltd., or Hemlock. Some agreements provide for fixed pricing or pricing adjustable within a relatively small range of plus or minus 5% to 10%, substantial prepayment obligations, and/or firm purchase commitments that require us to pay for the supply whether or not we accept delivery. The prices of polysilicon and silicon wafers declined in the second half of 2008, increased since the second half of 2010 but declined again in 2011, in this regard, we had renegotiated the unit price and volume terms of many of our long-term supply agreements and had entered into amendments for many of them. In view of the significant volatility of the polysilicon prices during the past few years, we plan to continue to renegotiate the unit price and volume terms of our long-term supply agreements, if prices of polysilicon or silicon wafers continue to be higher than the market prices after such re-negotiations, we may be placed at a competitive disadvantage versus our

competitors, and our cost of revenues as well as profitability would be materially and

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adversely affected. In addition, if demand for our solar power products decreases and such agreements require us to purchase more raw materials than are required to meet our demand, we may incur costs associated with carrying excess inventory, which may have a material adverse effect on our cash flow. To the extent we are not able to pass these increased costs to our customers, our business and results of operations may be materially and adversely affected.

Furthermore, we may choose not to procure polysilicon, ingots or wafers under certain contracts if we deem the prices under such contracts are unfavorable to us under prevailing market conditions and/or we are unable to renegotiate the price or volume terms to our satisfaction. In the event we choose not to procure polysilicon, ingots or wafers under these contracts, we may be forced to forfeit certain prepayment amounts to, and face contractual damage claims from, these suppliers if no mutual agreement can be reached. We cannot assure you that the outcome of any such potential litigation would be in our favor. Such litigation may be costly and may divert management attention and other resources away from our business and could materially and adversely affect our reputation, business, financial condition, results of operations and prospects.

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

We procure silicon raw materials through a combination of long-term supply contracts and spot market purchases. With the rapid and aggressive expansion of our production capacities in 2010 and our continued expansion in 2011, we have entered into and anticipate to continue to enter into additional long-term supply contracts as well as obtain silicon raw materials from the spot market to supplement supplies under our existing long-term supply contracts. However, we may experience interruption to our supply of silicon raw materials or late delivery in the future for the following reasons, among others:

- suppliers under our silicon material supply contracts may delay deliveries for a significant period of time without incurring penalties;
- there can be no assurance that our supplies will be able to meet our production needs consistently or on a timely basis;
- some of our competitors who also purchase polysilicon from our suppliers may have longer and stronger relationships with and have greater buying power and bargaining leverage over some of our key suppliers; and
- our supply of silicon raw materials is subject to the business risk of our suppliers, some of whom have limited operating history and limited financial resources, and one or more of which could go out of business for reasons beyond our control.

In particular, one of our long-term silicon wafer suppliers, M.SETEK, is located in Japan. On March 11, 2011, a magnitude-9 earthquake, the biggest in Japan's recorded history, struck Japan and triggered a tsunami affecting vast areas in Japan and causing widespread power shortages. M.SETEK was unable to make the majority of the scheduled delivery thereafter, in light of the circumstance, we entered into a framework agreement with M.SETEK regarding repayment of the prepayment owed by M.SETEK.

Failure to obtain the required amounts of silicon raw materials in a timely manner and on commercially reasonable terms would increase our manufacturing costs and/or substantially limit our ability to meet our contractual obligations to deliver products to our customers. Any failure by us to meet such obligations could have a material adverse effect on our reputation, ability to retain customers, market share, business and results of operations and may subject us to claims from our customers and other disputes. Failure to obtain sufficient silicon raw materials would also result in underutilization of our production facilities and an increase in our marginal production costs. Furthermore, any fluctuation in the spot price of polysilicon will increase our cost of revenues. Any of the above events could have a material adverse effect on our growth, profitability and results of operations.

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We require a significant amount of cash to fund our future capital expenditure requirements and working capital needs; if we cannot obtain additional sources of liquidity when we need it, our growth prospects and future profitability may be materially and adversely affected.

We have been expanding our business and will continue to do so to remain competitive. We expanded our business to upstream wafer and downstream module production in the fourth quarter of 2009 and intend to expand the manufacturing capacity for solar module from 1.2 GW in 2011 to 2 GW in 2012. In addition, we are in the process of establishing a new manufacturing center in Hefei, China, to further expand our manufacturing capacity and have completed phase I construction. We will need a significant amount of cash to fund our capital expenditures for these expansion plans, as well as for our research and development activities in order to remain competitive. Besides capital expenditures, we have significant working capital commitments because suppliers of silicon wafers and polysilicon usually require us to make prepayments in advance of shipments. Future acquisitions, market changes or other developments may also cause us to require additional funds.

Historically, we have relied on equity and debt offerings, bank borrowings and operating cash flow to finance our capital expenditure and working capital requirements. If we cannot generate sufficient operating cash flow to fund our capital expenditure and working capital needs, we may seek to sell additional equity or debt securities or borrow from lending institutions. In addition, we historically required our customers to make prepayments to us to help us reduce the amount of funds that we need to finance our working capital requirements. However, the practice is on the decline due to market trends, the balance of prepayments we received from our customers decreased from RMB 484.5 million as of December 31, 2010 to RMB 320.3 million as of December 31, 2011. Therefore, it has increased our need to obtain additional short-term borrowings to finance our working capital requirements. Our ability to obtain external financing is subject to a number of uncertainties, including:

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

If we are unable to obtain funding in a timely manner or on commercially acceptable terms, or at all, our growth prospects and future profitability may be materially and adversely affected. For example, the tightening of PRC credit market and interest rate increases in China since 2010 may limit the availability of financing to us, or at all, or increase the costs of such financing. In addition, the sale of additional equity securities, including convertible debt securities, would dilute our existing shareholders. The incurrence of debt would result in increased interest rate risk, divert cash for working capital and capital expenditures to service debt obligations and could result in operating and financial covenants that restrict our operations and our ability to pay dividends to our shareholders, if any. A shortage of such funds could in turn impose limitations on our ability to plan for, or react effectively to, changing market conditions or to expand through organic and acquisitive growth, thereby reducing our competitiveness.

We have substantial existing indebtedness, in particular long-term indebtedness, and we may incur substantial indebtedness in the future, which could adversely affect our financial condition and our ability to generate sufficient cash to satisfy our outstanding and future debt obligations.

We incurred a significant amount of debt and substantial debt service requirements as a result of the May 2008 offering of the 4.5% senior convertible notes maturing on May 15, 2013, or the 2008 Senior Notes. As of December 31, 2011, we had long-term bank borrowings of RMB 4.35 billion, of which RMB 885 million was due within one year, and the face value of the outstanding 2008 Senior Notes was US\$222.0 million. Our substantial indebtedness could have significant consequences on our future operations, including:

- requiring us to use a substantial portion of our cash flow from operations to service our indebtedness, which would reduce our cash flows available for working capital, capital expenditures, project developments and other general corporate purposes;

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- limiting our flexibility in planning for or reacting to, and increasing our vulnerability to, changes in our business, the industry in which we operate and the general economy; and
- placing us at a competitive disadvantage compared to our competitors who have less debt or are less leveraged.

Any of the above-listed factors could have an adverse effect on our business, financial condition and results of operations. Our ability to meet our payment and other obligations depends on our ability to generate significant cash flows in the future. This, to some extent, is subject to general economic, financial, competitive, legislative and regulatory factors as well as other factors that are beyond our control. We cannot assure you that our business will generate sufficient cash flows from operations, or that future borrowings will be available to us in amounts sufficient and on terms reasonable to us to support our liquidity needs. If we are not able to generate sufficient cash flow to service our debt obligations, we may need to refinance or restructure our debts, including the 2008 Senior Notes, sell assets, reduce or delay capital investments, or seek to raise additional capital. If we incur additional indebtedness, our increased debt service requirements may adversely affect our ability to meet our payment obligations on the 2008 Senior Notes and otherwise successfully grow and operate our business.

Our efforts to further develop our technology and know-how through increased research and development of crystalline silicon technology may not yield satisfactory results, if any.

The solar power industry is rapidly evolving and becoming more competitive. We will need to invest significant financial resources in research and development to keep pace with technological advances in the solar power industry and to effectively compete in the future. We have expended and may continue to expend significant financial resources in research and development of crystalline silicon and commercialization of new technologies to effectively compete with other market players in the future. Our research and development efforts are focused on improving conversion efficiencies of our solar power products. For example, we introduced our SECIUM cell line in 2010 and our SECIUM cells have achieved conversion efficiency rate of 19%. We introduced our MAPLE technology in 2011 and our MAPLE cells have achieved conversion efficiency rate of 18.5%, substantially higher than the industry standard average conversion efficiency rate for multicrystalline solar cells of approximately 16.8%. However, research and development activities are inherently uncertain, and we might encounter practical difficulties in commercializing our research results. A variety of competing photovoltaic technologies that other companies may develop could prove to be more cost-effective and have better performance than solar power products that we develop. Therefore, our development efforts may be rendered obsolete by the technological advances of others.

Breakthroughs in photovoltaic technologies that do not use crystalline silicon could mean that companies such as us that rely entirely on crystalline silicon would encounter a sudden, sharp drop in sales. One of the alternative technologies in the production of solar cells is thin film technology. The use of thin film technology in the production of solar cells would significantly reduce the consumption of silicon materials and manufacturing costs. New developments in commercialization of thin film technology may render our existing technologies obsolete and our products uncompetitive, which would result in loss in our profitability and market share and could materially and adversely affect our business, financial condition and results of operations.

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

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The solar power market is at a development stage and the extent to which solar power products will be widely adopted is uncertain. Market data in the solar power industry are not as readily available as those in other more established industries where trends can be assessed more reliably from data gathered over a longer period of time. Many factors may affect the viability of widespread adoption of photovoltaic technology and demand for solar power products, including:

- cost-effectiveness of solar power products compared to conventional and other non-solar energy sources and products;

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

The solar power market also competes with other sources of renewable energy and conventional 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. If photovoltaic technology proves unsuitable for widespread adoption or if demand for solar power products fails to develop sufficiently, we may not be able to grow our business or generate sufficient revenues to sustain our profitability. In addition, demand for solar power products in our target markets may not develop or may develop to a lesser extent than we anticipated.

We depend on a limited number of customers for a significant portion of product sales; changes in customer purchase amounts, terms or patterns may cause significant fluctuations or declines in its revenues.

A substantial portion of our revenues depends on sales to a limited number of customers and the loss of sales to or inability to collect from these customers would have a significant negative impact on our business. We currently sell our solar power products to a limited number of customers, although no single customer represents 10% or more of our total revenue. For the year ended December 31, 2011, 40.4% of our total revenues were derived from sales of solar power products to our top ten customers. We anticipate that our dependence on a limited number of customers will continue for the foreseeable future. Consequently, failure of us to develop or maintain our customer relationships with these and other customers may have an adverse effect on our revenue, profitability and cash flows.

We expect to continue to rely on a relatively small number of customers for a significant portion of our revenues for the foreseeable future. No assurance can be given that any of these customers will continue to purchase significant quantities of, or any, solar power products from us. Due to our reliance on a limited number of customers, any failure of us to develop or maintain our customer relationships with these and other customers may have an adverse effect on our revenue, profitability and cash flows.

Cancellation of customer orders could cause our operating results to fluctuate.

We have signed long-term sales arrangements with certain customers and required them to make prepayments. However, even though we charge a prepayment under many contracts, our customers may still cancel or reschedule purchase orders with us on relatively short notice. Cancellations or rescheduling of customer orders could result in delay or loss of anticipated sales without allowing us sufficient time to reduce, or delay the incurrence of, our corresponding inventory and operating expenses. In addition, changes in forecasts or the timing of orders from these or other customers expose us to the risks of inventory shortages or excess inventory. These circumstances, in addition to variations in average selling prices, and the fact that our supply agreements are generally long-term in nature and many of our other operating costs are fixed, in turn could cause our operating results to fluctuate and may result in a material adverse effect in our business.

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

We may from time to time enter into non-competition, exclusivity or other restrictions or arrangements of a similar nature as part our sales agreements with our customers. Such restrictions or arrangements may significantly

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hinder or our ability to sell additional products, or enter into sales agreements with new or existing customers that plan to sell our products, in certain markets. As a result, such restrictions or arrangements may have a material adverse effect on our business, financial condition and results of operations.

We compete in a highly competitive market and many of our competitors have greater resources.

The solar power market is intensely competitive and rapidly evolving. We expect to face increased competition, which may result in price reductions, reduced margins or loss of market share. Although we have expanded into upstream silicon wafer manufacturing and downstream solar module business since the fourth quarter of 2009, some of our competitors have become vertically integrated for a longer period of time than us. We expect to compete with future entrants to the photovoltaic market that offer new technological solutions. Furthermore, many of our competitors are developing or currently producing products based on new photovoltaic technologies, including thin film, ribbon, sheet and nano technologies, which they believe will ultimately cost the same as or less than crystalline silicon technologies used by us. In addition, the entire photovoltaic industry also faces competition from conventional and non-solar renewable energy technologies. Due to the relatively high manufacturing costs compared to most other energy sources, solar energy is generally not competitive without government incentive programs.

Many of our existing and potential competitors have substantially greater financial, technical, manufacturing and other resources than we do. Our competitors' greater size and longer operating history in some cases provide them with a competitive advantage with respect to manufacturing costs because of their economies of scale and their ability to purchase raw materials at lower prices. Many of our competitors also have greater brand name recognition, more established distribution networks and larger customer bases. In addition, many of our competitors have well-established relationships with our existing and potential customers and have extensive knowledge of our target markets. As a result, they may be able to devote greater resources to the research, development, promotion and sale of their products and respond more quickly to evolving industry standards and changes in market conditions. Our failure to adapt to changing market conditions and to compete successfully with existing or new competitors may materially and adversely affect our financial condition, results of operations and business prospects.

We obtain certain manufacturing equipment from sole or a limited number of suppliers and if such equipment is damaged or otherwise unavailable, our ability to deliver products on time will suffer, which in turn could result in order cancellations and loss of revenue.

Some of our equipment used in the manufacture of our solar power products has been developed and made specifically for us, is not readily available from alternative vendors and would be difficult to repair or replace if it were to become damaged or stop working. In addition, we obtain some equipment from sole or a limited number of suppliers. If any of these suppliers were to experience financial difficulties or go out of business, or if there were any damage to or a breakdown of our manufacturing equipment at a time when we are manufacturing commercial quantities of our products, our business would suffer. In addition, a supplier's failure to supply our ordered equipment in a timely manner, with adequate quality and on terms acceptable to us, could delay and otherwise disrupt our production schedule or increase our costs of production.

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

While we employ quality assurance procedures at key manufacturing stages to identify and resolve quality issues, our solar power products may contain defects that are not detected until after they are shipped or installed. These defects could cause us to incur significant re-engineering

costs, divert the attention of our engineering personnel from product development efforts, lead to returns of, or requests to return our products and significantly affect our customer relations and business reputation. If we deliver solar power products with errors or defects, or if

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there is a perception that our solar power products contain errors or defects, our credibility and the market acceptance and sales of our products could be harmed.

With respect to our solar module business, in 2011, we extended our product warranty period from 5 years to 10 years, warranting that the modules will be free from defects in materials and workmanship from the time of delivery. We also provide a 10 to 25 years performance warranty against declines of power generation capacity from the time of delivery. As a result of these warranties, we bear the risk of extensive warranty claims long after we have sold our products and recognized revenues. We therefore, in accordance with our own history, industry data and industry practices, accrue 1% of our net revenues from sales of solar modules as general warranty costs and also separately accrue specific warranty costs to cover potential liabilities that could arise from customer claims based on an individual assessment. However, such warranty costs may not be adequate. Because we only started to manufacture and sell solar modules in the fourth quarter of 2009, which have been in use for only a relatively short period, we cannot assure you that our assumptions regarding the durability and reliability of our products are reasonable. Our warranty provisions may be inadequate, and we may have to incur substantial expense to repair or replace defective products in the future.

If we fail to adequately protect our intellectual property rights, our business and results of operations could be materially and adversely affected.

Given the importance of intellectual property to our business, we rely primarily on a combination of patent, trademark, trade secret and copyright, as well as employee and third party confidentiality agreements to safeguard our intellectual property. As of December 31, 2011, we had a total of 48 registered patents and 30 pending patent applications in China as well as 1 pending patent application in the United States. However, we cannot assure you that the steps which we have taken will be sufficient to protect our intellectual property rights or that third parties would not infringe upon or misappropriate any such rights. Moreover, it is costly to litigate in order to protect any of our intellectual property rights. If we are unable to prevent third parties from infringing or misappropriating these rights in our self-owned products, the future financial condition and the ability to develop our business could be materially adversely affected.

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

Our success also depends largely on our ability to use and develop our technology and know-how without infringing the intellectual property rights of third parties. Although we are not currently aware of any parties pursuing or intending to pursue infringement claims against us, we cannot assure you that we will not be subject to such claims in the future. Also, because patent applications in many jurisdictions are kept confidential for 18 months before they are published, we may be unaware of other persons' pending patent applications that relate to our products or processes. Our suppliers may also become subject to infringement claims, which in turn could negatively impact our business as they may no longer be able to fulfill their delivery obligations under their contracts with us or refund our outstanding prepayments in a timely manner or at all. The defense and prosecution of intellectual property suits, patent opposition proceedings and related legal and administrative proceedings can be both costly and time consuming and may significantly divert the efforts and resources of our technical and management personnel. An adverse determination in any such litigation or proceedings to which we may become a party could subject us to significant liability to third parties, require us to seek licenses from third parties, to pay ongoing royalties, or to redesign our products or subject us to injunctions prohibiting the manufacture and sale of our products or the use of our technologies. Protracted litigation could also result in our customers deferring or limiting their purchase or use of our products until resolution of such litigation. The occurrence of any of the foregoing could have a material adverse effect on our business, results of operations and financial condition.

We may continue to incur considerable legal expenses and allocate substantial time to our remaining legal action against the Lehman Entities and the results could be unsuccessful.

We had the following business relationships with the Lehman Entities around the world: (i) an investment of US\$100 million in notes issued by Lehman Brothers Treasury Co. BV (Lehman BV) (the Lehman Notes); (ii)

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an ADS lending agreement dated as of May 13, 2008 with Lehman Brothers International (Europe) (LBIE); and (iii) a capped call confirmation dated May 13, 2008 with Lehman Brothers OTC Derivatives Inc. (Lehman OTC) (the Capped Call).

Although we sold Lehman Notes to a third party in November 2010 and terminated the Capped Call in March 2012, we are still taking legal action against Lehman Entities to seek damages arising from LBIE's breach and default under the ADS lending agreement. During this process, we may continue to incur considerable legal expenses and allocate management time and attention to the legal action. Despite our expense and efforts, however, there can be no assurance that we will be awarded any damages from the Lehman Entities.

Our quarterly revenues and operating results may be difficult to predict and could fall below investor expectations, which could cause the market price of our ADSs to decline.

Our quarterly revenues and operating results have fluctuated in the past and may continue to fluctuate significantly depending upon numerous factors, including seasonality of demand for solar power products, changes in market conditions and industry environment, and changes in government policies or regulations. For example, purchases of solar power products tend to decrease due to severe weather conditions in winter months, which complicates the installation of solar power systems. Many of these factors are beyond our control, making our quarterly results difficult to predict, which could cause the trading price of our ADSs to decline if our operating results for any particular quarter fall below investor expectations.

Our senior management has worked together for a relatively short period of time, which may make it difficult for you to evaluate their effectiveness and ability to address challenges.

Due to recent changes to our management team, certain of our senior management and employees have worked together at our company for a relatively short period of time. For example, we have experienced turnover in our senior management ranks and hired or appointed a number of executive officers and senior management in the past few years, including our chief executive officer and chief technology officer in 2010 and our chief financial officer in 2011. In light of the foregoing circumstances, it may be difficult for you to evaluate the effectiveness of our senior management and their ability to address future challenges to our business. Members of our senior management may not work together effectively as a team to manage our growth successfully, which may expose us to a higher risk of internal control deficiencies and result in us losing market share, business opportunity and revenues.

The success of our business depends on the continuing efforts of our key personnel and our business may be severely disrupted if we lose their services.

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

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We rely heavily on the continued services of our executive officers. 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 easily or at all. As a result, our business may be severely disrupted and we may incur additional expenses to recruit and retain new officers. In addition, if any of our executive officers joins a competitor or forms a competing company, we may lose some or all of our customers. We believe our future success will depend upon our ability to retain these key employees and our ability to attract and retain other skilled managerial, engineering and sales and marketing personnel. Each of our executive officers and other key personnel has entered into an employment agreement with us, which contains confidentiality and non-competition provisions. However, if any disputes arise between our employees and us, we cannot assure you, in light of uncertainties associated with the PRC legal system, the extent to

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which any of these agreements could be enforced in China, where some of our executive officers reside and hold some of their assets.

As we have awarded and will continue to award employee share options and other share-based compensation to certain of our directors, officers, employees and consultants, our net income will be adversely affected.

Under our 2006 stock incentive plan, we may award stock options and other share-based compensations to purchase up to 10% of our issued share capital to certain of our directors, employees and consultants. As of March 31, 2012, we have awarded 4,732,000 restricted share units and granted options to purchase 19,639,000 ordinary shares to a number of our directors, employees and consultants. See Item 6. Directors, Senior Management and Employees B. Compensation Stock Option Plans.

In accordance with Financial Accounting Standards Board, or FASB, Accounting Standards Codification, or ASC, Topic 718, Compensation-Stock Compensation, which requires all companies to recognize, as an expense, the fair value of share options and other share-based compensation to employees, we are required to account for compensation costs for all restricted share units and share options granted to our directors, employees and consultants using a fair-value based method and recognize expenses in our consolidated statement of operations in accordance with the relevant rules under U.S. GAAP. Our share-based compensation expenses have a material and adverse effect on our reported earnings for the year during which the share-based compensation are granted and over their vesting periods.

Moreover, the additional expenses associated with administrating share-based compensation may reduce the attractiveness of such incentive plan to us. However, if we stop granting options, or reduce the number of options granted, under our stock incentive plan, we may not be able to attract and retain key personnel, as share options are an important employee recruitment and retention tool. In addition, the decline in the price of our ADSs representing our ordinary shares below the exercise price of many of the previously granted options has lessened the effectiveness of the options as a means to retain the services of the option holders. As a result, we have granted more stock options to certain individuals and will continue to grant employee share options or other share-based compensation in the future that may adversely affect our net income.

There are potential conflicts of interest between us and our largest shareholder, Jinglong BVI.

Jinglong BVI, which is controlled by the shareholders of Hebei Jinglong, is our largest shareholder. In addition, Mr. Baofang Jin, the executive chairman of our Board of Directors, is a shareholder of Jinglong BVI and is also the chairman of Hebei Jinglong. Jinglong Group (including Hebei Jinglong) currently provides a number of products and services to us, including silicon wafer supply (on prepayment terms) and real property leases. Our transactions with Jinglong Group are governed by a number of contracts, the terms of which were negotiated at what we believe are on an arm's length basis. In November 2011, we also completed the acquisition of Silver Age, a British Virgin Islands company controlled by Jinglong BVI. See Item 7. Major Shareholders and Related Party Transactions B. Related Party Transactions. However, the interest of Jinglong BVI may conflict with our own interest with respect to our transactions with Jinglong Group. As a result, we may have limited ability to negotiate with Jinglong Group over the terms of the agreements because Jinglong BVI may exert significant influence on our affairs through our Board of Directors. In addition, Jinglong BVI may be able to prevent us from taking actions to enforce or exercise our rights under the agreements we entered into with Jinglong Group. Furthermore, we cannot assure you that our transactions with Jinglong Group will always be concluded on terms favorable to us or maintained at the current level or at all in the future. As a result, when these situations arise, our financial condition, results of operations and implementation of strategy may be materially and adversely affected.

We have limited insurance coverage and may incur significant losses resulting from operating hazards, product liability claims or business interruptions.

As with other solar power product manufacturers, our operations involve the use, handling, generation, processing, storage, transportation and disposal of hazardous materials, which may result in fires, explosions, spills

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and other unexpected or dangerous accidents causing personal injuries or death, property damages, environmental damages and business interruptions. Although we currently carry third-party liability insurances against property damages, these insurance policies are limited in scope and may not cover all claims relating to personal injury, property or environmental damage arising from accidents on our properties or relating to our operations. Any occurrence of these or other accidents in our operation not insured under our existing insurance policies could have a material adverse effect on our business, financial condition or results of operations.

We are also exposed to risks associated with product liability claims in the event that the use of the solar power products we sell results in injury. Because our solar products are generally incorporated into solar power devices to generate electricity, it is possible that users could be injured or even killed by the solar power devices incorporating our solar products, whether by product malfunctions, defects, improper installation or other causes. While we have not experienced any product liability claims brought against us, we are unable to predict whether such claims will be brought against us in the future or the effect of any resulting adverse publicity on our business. Although we have begun purchasing product liability insurances since 2010, there is no assurance that these insurance policies will provide adequate coverage in the event of a successful product liability claim against us. If our product liability insurances are not adequate, the successful assertion of product liability claims against us could result in potentially significant monetary damages and require us to make significant payments.

In addition, the normal operation of our manufacturing facilities may be interrupted by accidents caused by operating hazards, power supply disruptions, equipment failures, as well as natural disasters. As the insurance industry in China is still in an early stage of development, business interruption insurance available in China offers limited coverage compared to that offered in many other countries, and we do not carry any business interruption insurance. Any business disruption or natural disaster could result in substantial costs and diversion of resources, and our business and results of operations may be materially and adversely affected.

Compliance with environmental regulations is expensive, and noncompliance may result in adverse publicity and potentially significant monetary damages and fines or suspension of our business operations.

We are required to comply with all national and local regulations regarding the protection of the environment. Compliance with environmental regulations is expensive. The PRC government is adopting more stringent environmental protection regulations and the costs of complying with these regulations are expected to increase.

For each of our solar product manufacturing facilities, it is required to conduct an environmental impact assessment, obtain approval of the assessment before commencing construction and complete an examination and obtain an environmental acceptance approval before it is able to begin production. We cannot assure you that we will be able to comply with all applicable environmental protection requirements, obtain these approvals and permits upon completion of the construction or commencement of commercial production on a timely basis or at all. The relevant governmental authorities may impose fines or deadlines on us to cure any non-compliance, and these authorities may also order us to cease construction or production if we fail to comply with these requirements.

In addition, we are subject to licensing requirements, regulations and periodic monitoring by local environmental protection authorities, and are required to comply with all PRC national and local environmental protection laws and regulations. If we fail to obtain the required permits and licenses, we will not be able to obtain an environmental acceptance approval and may not be allowed to produce. We may also be subject to substantial fines or damages or suspension of our production operations, and our reputation may be harmed, which could negatively affect our results of operations and financial position.

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For strategic reasons and in an effort to maximize returns on our unused capital reserves, we may, from time to time, invest in securities purchased on the open market, which may, due to market forces beyond our control, result in the recognition of losses that will adversely affect our financial results.

Although we did not invest in any securities at the end of 2011, for both strategic reasons and in an effort to maximize the return on our unused capital reserves, we had, and may, from time to time invest in certain securities purchased on the open market. The fair value of these securities is driven by market forces beyond our control and may decline over time. To protect the value of our investment and minimize the recognition of losses, if any, we may, from time to time, dispose of such securities at the discretion of our Board of Directors. To the extent that we, in compliance with U.S. GAAP and other applicable rules and regulations, determine that a decline in the fair value of any of our securities is other-than-temporary, we are obligated to recognize such decline as a loss, which will in turn adversely affect our financial results.

We may incur significant legal expenses in connection with, and allocate management time and attention to, legal actions involving us that may take place from time to time and it is possible that we will not be able to prevail in our legal actions.

We were previously involved in two putative securities class actions and were able to reach an agreement to settle the lawsuits. During the process, we incurred significant legal expenses and allocated management time and attention to the litigations. We may face other legal actions that may take place from time to time in the future, and we may continue to incur significant legal expenses and allocate management time and attention to the legal actions. No assurance can be provided that we will be able to prevail in our legal actions.

Risks Related to Doing Business in China

Our auditor, like other independent registered public accounting firms operating in China, is not permitted to be subject to inspection by Public Company Accounting Oversight Board, and as such, investors may be deprived of the benefits of such inspection.

Our independent registered public accounting firm that issues the audit reports included in our annual reports filed with the SEC, as an auditor of companies that are traded publicly in the United States and a firm registered with the Public Company Accounting Oversight Board (United States), or PCAOB, is required by the laws of the United States to undergo regular inspections by PCAOB to assess its compliance with the laws of the United States and professional standards. Because our auditor is located in China, a jurisdiction where PCAOB is currently unable to conduct inspections without the approval of the PRC authorities, our auditor, like other independent registered public accounting firms operating in China, is currently not inspected by PCAOB.

Inspections of other firms that PCAOB has conducted outside of China have identified deficiencies in those firms' audit procedures and quality control procedures, which may be addressed as part of the inspection process to improve future audit quality. The inability of PCAOB to conduct inspections of independent registered public accounting firms operating in China makes it more difficult to evaluate the effectiveness of our auditor's audit procedures or quality control procedures. As a result, investors may be deprived of the benefits of PCAOB inspections.

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

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

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

While the Chinese economy has grown significantly in the past years, the growth has been uneven, both geographically and among various sectors of the economy. The PRC government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures benefit the overall Chinese economy, but may also have a negative effect on us. For example, our financial condition and results of operations may be adversely affected by government control over capital investments or changes in tax regulations that are applicable to us.

The Chinese economy has been transitioning from a planned economy to a more market-oriented economy. Although in recent years the PRC government has implemented measures emphasizing the utilization of market forces for economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance in business enterprises, a substantial portion of the productive assets in China is still owned by the PRC government. The continued control of these assets and other aspects of the national economy by the PRC government could materially and adversely affect our business. The PRC government also exercises significant control over Chinese economic growth through the allocation of resources, controlling payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. From late 2003 to mid-2008, the PRC government implemented a number of measures, such as increasing the People's Bank of China's statutory deposit reserve ratio and imposing commercial bank lending guidelines that had the effect of slowing the growth of credit, which in turn may have slowed the growth of the PRC economy. In response to the global and Chinese economic downturn in 2008, the PRC government promulgated several measures aimed at expanding credit and stimulating economic growth including decreasing the People's Bank of China's statutory deposit reserve ratio and lowering benchmark interest rates several times. Since January 2010, however, the People's Bank of China has increased the statutory deposit reserve ratio in response to rapid growth of credit in 2009. In 2011 the PRC government introduced measures in certain sectors to avoid overheating of the economy, including tighter bank lending policies and increases in bank interest rates. More recently, the PRC government has announced its intention to relax certain of these policies in response to slowed growth in the PRC economy in the latter half of 2011. It is unclear whether PRC economic policies will be effective in maintaining stable economic growth in the future. Any slowdown in the growth of the Chinese economy could result in decreased capital expenditure by solar energy users, which in turn could reduce demand for our products.

Any adverse change in the economic conditions or government policies in China could have a material adverse effect on the overall economic growth and the level of renewable energy investments and expenditures in China, which in turn could lead to a reduction in demand for our products and consequently have a material adverse effect on our businesses.

Fluctuations in exchange rates could have a material adverse effect on our results of operations and the value of your investment.

The conversion of Renminbi into foreign currencies, including U.S. dollars, is based on rates set by the People's Bank of China. The PRC government allowed the Renminbi to appreciate by more than 20% against the U.S. dollar between July 2005 and July 2008. Between July 2008 and June 2010, this appreciation was halted and the exchange rate between the Renminbi and the U.S. dollar remained within a narrow band. As a consequence, the RMB fluctuated significantly during that period against other freely traded currencies, in tandem with the U.S. dollar. Since June 2010, the PRC government has allowed the Renminbi to appreciate slowly against the U.S. dollar again. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between the Renminbi and the U.S. dollar in the future. In April 2012, the PRC government took a milestone step in turning

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the Renminbi into a global currency by doubling the size of its trading band against the U.S. dollar, pushing through a crucial reform that further liberalizes its financial markets. Effective from April 16, 2012, the People's Bank of China allows the Renminbi to rise or fall 1% from a mid-point every day, compared with its previous 0.5% limit.

There remains significant international pressure on the Chinese government to adopt a substantial liberalization of its currency policy, which could result in further appreciation in the value of the RMB against the U.S. dollar. To the extent that we need to convert U.S. dollars into RMB for capital expenditures and working capital and other business purposes, appreciation of the RMB against the U.S. dollar would have an adverse effect on the RMB amount we would receive from the conversion. Conversely, if we decide to convert RMB into U.S. dollars for the purpose of making payments for dividends on our ordinary shares or ADSs, strategic acquisitions or investments or other business purposes, appreciation of the U.S. dollar against the RMB would have a negative effect on the U.S. dollar amount available to us.

As we expand our sales to customers outside China, a significant portion of our revenues is and may continue to be denominated in foreign currencies. We have entered into, and may continue to enter into, foreign currency forward contracts with commercial banks to hedge part of our exposure to foreign currency exchange risk for our overseas sales. As with all hedging instruments, there are risks associated with the use of foreign currency forward contracts. While the use of such foreign currency forward contracts provides us with protection from certain fluctuations in foreign currency exchange, we potentially forgo the benefits that might result from favorable fluctuations in foreign currency exchange. Any default by the counterparties to these transactions could adversely affect our financial condition and results of operations. Furthermore, these financial hedging transactions may not provide adequate protection against future foreign currency exchange rate fluctuations and, consequently, such fluctuations could result in foreign exchange losses and adversely affect our financial condition and results of operations.

Natural disasters, acts of war, political unrest and epidemics, which are beyond our control, may cause damage, loss or disruption to our business.

Natural disasters, acts of war, political unrest and epidemics, which are beyond our control, may adversely affect the economy, infrastructure and livelihood of the people of the PRC. Some cities in the PRC are particularly susceptible to floods, earthquakes, sandstorms and droughts. The business, financial condition and results of operations of us may be materially and adversely affected if such natural disasters occur. Political unrest, acts of war and terrorists attacks may cause damage or disruption to us, our employees, our facilities, the sales channels operated by authorized third-party retailers of us and our markets, any of which could materially and adversely affect our sales, overall operating results and financial condition. The potential for war or terrorists attacks may also cause uncertainty and cause our business to suffer in ways that we cannot currently predict. In addition, certain Asian countries, including the PRC, have encountered epidemics such as SARS, incidents of the avian flu or the H1N1 flu. Past occurrences of epidemics have caused different degrees of damage to the national and local economies in the PRC. A recurrence of an outbreak of SARS, avian flu, the H1N1 flu or any other similar epidemic, could cause a slowdown in the levels of economic activity generally, which could in turn adversely affect our results of operations.

Price inflation in China could erode some of the advantages of operating in a relatively low-cost jurisdiction such as China, which could negatively affect our competitive advantages and our results of operations.

Inflation in China has been increasing in recent years. According to the National Bureau of Statistics of China, the year-over-year percent changes in the consumer price index for December 2009, 2010 and 2011 were increases of 1.9%, 4.6% and 4.1%, respectively. Because we conduct manufacturing and purchase raw materials from suppliers in China, price inflation increases the costs of labor and raw materials for manufacturing and risks counteracting the competitive advantage we enjoy as a result of the relatively lower manufacturing costs we incur from

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operating in China. If inflationary trends continue in China, China could lose its competitive advantage as a low-cost manufacturing venue, which could in turn lessen any competitive and reputational advantages we gain through China-based manufacturing. Although we have started the process and will continue to gradually automate

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our production lines in order to reduce the impact of increases in labor cost in the long run, inflation in China may still weaken our competitiveness in our markets and have a material adverse effect on our business, financial condition, results of operations and prospects.

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

We conduct a significant portion of our business inside China through our various wholly-owned subsidiaries and are therefore subject to laws and regulations applicable to foreign investment in China. 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, the PRC legal system is based in part on government policies and internal rules, some of which may not be published on a timely basis or at all, and some of which may have a retroactive effect. As a result, we may not be aware of our violation of these policies and rules until some time after the violation. Any administrative and court proceedings in China may be protracted, resulting in substantial costs and diversion of resources and management attention. However, since PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we enjoy than in more developed legal systems. These uncertainties may also impede our ability to enforce the contracts we have entered into. As a result, these uncertainties could materially and adversely affect our business and results of operations.

Rapid urbanization and changes in zoning and urban planning in China may cause our properties to be demolished, removed or otherwise affected.

China is undergoing a rapid urbanization process, and zoning requirements and other governmental mandates with respect to urban planning of a particular area may change from time to time. When there is a change in zoning requirements or other governmental mandates with respect to the areas where our operating facilities are located, the affected facilities may need to be demolished and removed. As a result, we may have to relocate our facilities to other locations. We have not experienced such demolition and relocation in the past, but we cannot assure you that we will not experience demolitions or interruptions of our operating facilities due to zoning or other local regulations. Any such demolition and relocation could cause us to lose primary locations for our operating facilities and we may not be able to achieve comparable operation results following the relocations. While we may be reimbursed for such demolition and relocation, we cannot assure you that the reimbursement, as determined by the relevant government authorities, will be sufficient to cover our direct and indirect losses. Accordingly, our business, results of operations and financial condition may be materially and adversely affected.

Our operating subsidiaries in China are subject to legal limitations in paying dividends to us, which may restrict our ability to satisfy our liquidity requirement.

The payment of dividends by entities organized in China is subject to limitations. Regulations in the PRC currently permit payment of dividends by our PRC subsidiaries only out of accumulated profits as determined in accordance with accounting standards and regulations in China. Our subsidiaries are also required to set aside at least 10% of their after-tax profits based on PRC accounting standards each year to their general reserves until the accumulative amount of such reserves reach 50% of their respective registered capital. These reserves are not distributable as cash dividends. In addition, at the discretion of their respective board of directors, our PRC subsidiaries may allocate a portion of their after-tax profits to their respective staff welfare and bonus funds, which may not be distributed to equity owners except in the event of liquidation. Furthermore, if our PRC subsidiaries incur debt on their own behalves in the future, the instruments governing the debt may restrict their ability

to pay dividends or make other distributions to us, which may restrict our ability to satisfy our liquidity requirement. Limitations on the ability of our PRC subsidiaries to pay dividends to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our businesses, pay dividends, or otherwise fund and conduct our business.

PRC regulations on currency exchange and foreign investment may limit our ability to receive and use our revenues effectively and may delay or prevent us from using the proceeds from our fundraising activities to make loans or additional capital contributions to our PRC operating subsidiaries.

A significant portion of our revenues and expenses are denominated in Renminbi. If our revenues denominated in Renminbi increase or expenses denominated in Renminbi decrease in the future, we may need to convert a portion of our revenues into other currencies to meet our foreign currency obligations, including, among others, payment of dividends declared, if any, in respect of our ordinary shares. 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.

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Foreign exchange transactions by our PRC subsidiaries under the capital account continue to be subject to significant foreign exchange controls and require the approval of PRC governmental authorities, including SAFE. To utilize the proceeds of any equity or debt offering as an offshore holding company of our PRC operating subsidiaries, we may make loans to our PRC subsidiaries, or we may make additional capital contributions to our PRC subsidiaries. Any loan from offshore companies to our PRC subsidiaries is subject to PRC regulations. For example, loans by us to our subsidiaries in China, which are foreign-invested enterprises, or FIEs, to finance their activities cannot exceed statutory limits and must be registered with SAFE.

We may also finance our subsidiaries by means of capital contributions. These capital contributions must be approved by the PRC Ministry of Commerce, or MOFCOM, or its local counterparts. We may not be able to obtain these government approvals on a timely basis, if at all, with respect to future capital contributions by us to our subsidiaries. If we fail to receive such approvals, our ability to use the proceeds we have received, or may receive, from our equity or debt offerings and to capitalize our PRC operations may be negatively affected, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

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 the previous Income Tax Law of the People's Republic of China for Enterprises with Foreign Investment and Foreign Enterprises, or the FEIT Law, and the related implementation rules which was repealed on January 1, 2008, FIEs established in China was generally subject to enterprise income tax at a state tax rate of 33% on PRC taxable income. The PRC government had provided certain incentives to FIEs in order to encourage foreign investments, including tax exemptions, tax reductions and other measures. Under the FEIT Law and the related implementation rules, FIEs were entitled to be exempted from foreign enterprise income tax for a 2-year period starting from their first profit-making year followed by a 50% reduction of foreign enterprise income tax payable for the subsequent three years, provided that they fall into the category of production-oriented enterprises with an operational period of more than 10 years in China.

In March 2007, China enacted a new Corporate Income Tax Law of the PRC, or CIT Law, which became effective on January 1, 2008 and replaced the FEIT Law. The CIT Law imposes a unified income tax rate of 25% on all domestic enterprises and FIEs unless they qualify under certain limited exceptions. The CIT Law provides a transition period to FIEs, during which they are permitted to grandfather their existing preferential income tax treatment until such treatment expires in accordance with its current terms.

With respect to income generated by assets acquired by JA Hebei through capital injection made during the fiscal years 2005 and 2006, JA Hebei has received approval from the relevant tax authorities for a two-year enterprise income tax exemption for 2006 and 2007, as well as a 50% enterprise income tax reduction for 2008, 2009 and 2010. With respect to income generated by assets newly acquired by JA Hebei through capital injection made during 2007, JA Hebei has received approval from the relevant tax authorities for a separate two-year enterprise income tax exemption for 2007 and 2008, as well as a 50% enterprise income tax reduction for 2009, 2010 and 2011. No tax holiday was granted with respect to the income generated by assets newly acquired by JA Hebei through capital injection made during 2008. In addition, in November 2010, JA Hebei was recognized as an advanced and new technology enterprise, or ANTE, under the CIT Law and is entitled to the preferential income tax of 15% from 2010 to 2012. As the original approval certificate was obtained in 2011, JA Hebei used the above-mentioned 2-year-exemption-plus-3-year-50%-reduction holiday for capital injection made during 2007 for the year ended December 31, 2010. Under the CIT Law, where the transitional preferential CIT policies and the preferential policies prescribed under the CIT Law and its implementation rules overlap, an enterprise shall choose to carry out the most preferential policy, but shall not enjoy multiple preferential policies. JA Hebei chose to enjoy the preferential income tax for an ANTE from January 1, 2011.

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In August 2011, JA Yangzhou was recognized as an ANTE and is entitled to the preferential income tax of 15% from 2011 to 2013. JA Yangzhou has chosen to complete the above-mentioned 2-year-exemption-plus-3-year-50%-reduction holiday for the overlapping period of 2011 and 2012.

In November 2011, JA Lianyungang was recognized by the Chinese government as an ANTE and is entitled to the preferential income tax of 15% from 2011 to 2013. The ANTE status and preferential tax treatment will be reviewed by the government every three years.

However, we cannot assure you that JA Hebei, JA Yangzhou and JA Lianyungang's current tax benefits will be extended upon expiration. If these tax benefits cannot be extended or otherwise become unavailable, the effective income tax rate of JA Hebei, JA Yangzhou and JA Lianyungang will increase significantly, and any increase of JA Hebei, JA Yangzhou's income tax rate in the future could have a material adverse effect on our financial condition and results of operations.

Various PRC governmental authorities have promulgated a series of laws and regulations to encourage the development of solar energy and other renewable energy, including Renewable Energy Law, Medium and Long-Term Development Plan for the Renewable Energy Industry, Golden Sun Demonstration Program, etc. Under these laws and regulations, financial incentive, such as national funding, preferential loans and tax preferential treatment is provided to the renewable energy industry. However, no assurance can be given that these incentives will not be reduced or eliminated altogether in the future. Any reduction or eliminations of governmental incentive policies will reduce demand for our solar power products and adversely affect our financial condition and results of operations.

We may be deemed a PRC resident enterprise under the CIT Law and be subject to the PRC taxation on our worldwide income.

The CIT Law also provides that enterprises established outside of China whose de facto management bodies are located in China are considered resident enterprises and are generally subject to the uniform 25% enterprise income tax rate as to their worldwide income. Under the implementation regulations for the CIT Law, de facto management body is defined as a body that has material and overall management and control over the manufacturing and business operations, personnel and human resources, finances and treasury, and acquisition and disposition of properties and other assets of an enterprise. In addition, a circular issued by the PRC State Administration of Taxation on April 22, 2009 sets out the standards and procedures for recognizing the location of the effective management of an enterprise registered outside of the PRC and funded by Chinese enterprises as controlling investors. This circular specifies that certain PRC-invested enterprises will be classified as PRC resident enterprises if the following are located or resident in the PRC: senior management personnel and departments that are responsible for daily production, operation and management; financial and personnel decision making bodies; key properties, accounting books, the company seal, and minutes of board meetings and shareholders' meetings; and half or more of the senior management or directors having voting rights. Although this circular explicitly provides that the above standards shall apply to enterprises which are registered outside the PRC and funded by Chinese enterprises as controlling investors, it is still uncertain whether such standards under this circular may be cited for reference and be adopted when considering whether our effective management is in the PRC or not, and whether we may be considered a resident enterprise under the CIT Law. If we are treated as a resident enterprise for PRC tax purposes, we will be subject to PRC tax on our worldwide income at the 25% uniform tax rate, which could have an impact on our effective tax rate and an adverse effect on our net income and results of operations, although dividends distributed from our PRC subsidiaries to us could be exempt from Chinese dividend withholding tax, since such income is exempted under the new CIT Law to a PRC resident recipient.

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Dividends payable by us to our non-PRC holders of ordinary shares and ADSs and gain on the sale of our ADSs or ordinary shares may become subject to PRC taxes.

Under the CIT Law and its implementation regulations, PRC income tax at the rate of 10% is applicable to dividends payable to investors that are non-resident enterprises, which do not have an establishment or place of business in the PRC, or which have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends have their sources within the PRC. Similarly, any gain realized on the transfer of ADSs or shares by such investors is also subject to 10% PRC income tax if such gain is regarded as income derived from sources within the PRC. It is unclear whether we may be considered as a resident enterprise under the new CIT law. If we are considered a PRC resident enterprise, dividends we pay with respect to our ordinary shares or ADSs, or the gain our shareholders may realize from the transfer of our ordinary shares or ADSs, would be treated as income derived from sources within the PRC and be subject to PRC tax. If we are required under the CIT Law to withhold PRC income tax on dividends payable to our non-PRC holders of ordinary shares and ADSs who are non-resident enterprises, or if our non-PRC holders of ordinary shares and ADSs are required to pay PRC income tax on the transfer of our ordinary shares or ADSs, the value of their investment in our ordinary shares or ADSs may be materially and adversely affected.

Labor laws in the PRC may adversely affect our results of operations.

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

PRC regulations relating to the establishment of offshore special purpose companies by PRC residents may subject our PRC resident shareholders to personal liability and limit our ability to inject capital into our PRC subsidiaries, limit our PRC subsidiaries' ability to distribute profits to us, or otherwise adversely affect us.

In October 2005, SAFE issued a circular concerning foreign exchange regulations on investments by PRC residents in China through special purpose companies incorporated overseas, or Circular No. 75. According to Circular 75 and the relevant SAFE regulations, prior registration with the local SAFE branch is required for PRC residents to establish or to control an offshore company for the purposes of financing that offshore company with assets or equity interests in an onshore enterprise located in the PRC. An amendment to registration or filing with the local SAFE branch by such PRC resident is also required for the injection of equity interests or assets of an onshore enterprise in the offshore company or overseas funds raised by such offshore company or another material change involving a change in the capital of the offshore company.

Moreover, Circular 75 applies retroactively. As a result, PRC residents who have established or acquired control of offshore companies that have made onshore investments in the PRC in the past are required to complete the relevant registration with the local SAFE branch. Failure to comply with the registration procedures set forth in Circular 75 may result in restrictions on the foreign exchange activities of the relevant foreign-invested enterprises, including the payment of dividends and other distributions, such as proceeds from any reduction in capital, share transfer or liquidation, to its offshore parent or affiliate and the capital inflow from the offshore parent, and may also subject relevant PRC residents to penalties under PRC foreign exchange administration regulations.

A notice issued by SAFE on May 20, 2011, or Notice 19, further provides detailed provisions and requirements regarding the foreign exchange registration under Circular 75. Under Notice 19, any PRC citizen, resident, or entity which is a direct or indirect shareholder of an offshore entity is required to update any previously filed registration with the local branch of SAFE to reflect any material change in such offshore entity. Moreover,

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any offshore entity which fails to comply with Circular 75 may remedy by making the registration with the local branch of SAFE after fulfillment of the administrative penalties imposed by the relevant SAFE branch.

PRC resident shareholders of our offshore companies that have made onshore investments in the PRC have completed the registration as required under Circular No.75 and are currently in the process of updating the registration to reflect the change of share ownership in some of our offshore companies. Historically, certain shareholders of Jinglong BVI, our largest shareholder, were imposed of administrative penalties by Hebei SAFE branch for failure to fully comply with the registration requirements of Circular No. 75. We cannot assure you that PRC resident shareholders of our offshore companies will continue to be in full compliance with the registration requirements under Circular No.75 in the future.

As it is uncertain how SAFE will interpret or implement these circulars, we cannot predict how this circular and other SAFE circulars will affect our business operations or future strategies. For example, we may be subject to more stringent review and approval process with respect to our foreign exchange activities, such as remittance of dividends and foreign currency-denominated borrowings, which may adversely affect our business and prospects.

PRC rules on mergers and acquisitions may subject us to sanctions, fines and other penalties and affect our future business growth through acquisition of complementary business.

On August 8, 2006, six PRC government and regulatory authorities, including the MOFCOM, promulgated a rule entitled Interim Provisions on the Takeover of Domestic Enterprises by Foreign Investors, or the M&A Rules, which became effective on September 8, 2006 and was subsequently revised on June 22, 2009. The M&A Rules provide procedures and requirements that could make merger and acquisition activities by foreign investors more time-consuming and complex, including requirements in some instances that MOFCOM be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise. In the future, we may grow our business in part by acquiring complementary businesses. Complying with the requirements of the M&A Rule to complete such transactions could be time-consuming, and any required approval processes, including obtaining approval from MOFCOM, may delay or inhibit the completion of such transactions, which could affect our ability to expand our business or maintain our market share.

Failure to comply with PRC regulations regarding the registration requirements for stock incentive plans may subject the PRC plan participants or us to fines and other legal or administrative sanctions.

On December 25, 2006, the People's Bank of China, issued the Administration Measures on Individual Foreign Exchange Control, and its Implementation Rules was issued by SAFE on January 5, 2007, both of which became effective on February 1, 2007. Under these regulations, all foreign exchange matters involved in employee share ownership plans, share option plans and other equity incentive plans participated by PRC individuals shall be transacted upon the approval from the SAFE or its authorized branch.

On February 15, 2012, the SAFE promulgated the Notice relating to Foreign Exchange Administration for PRC Residents Participating in Stock Incentive Plan of Overseas-Listed Company, or SAFE Notice 7, replacing the Application Procedure of Foreign Exchange Administration for PRC Residents Participating in Employee Stock Holding Plan or Stock Option Plan of Overseas-Listed Company promulgated in March 2007. SAFE Notice 7 is applicable to domestic directors, supervisors, senior management and other employees of an overseas-listed domestic

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company, PRC subsidiaries or branches of an overseas-listed company and any PRC entities which are directly or indirectly controlled by an overseas-listed company, or Domestic Company, including PRC citizens and foreign citizens who have resided in the PRC for one year or more, or PRC Residents. Under SAFE Notice 7, PRC Residents who are granted stock options or any other stock-related rights and benefits under a stock incentive plan by an overseas publicly listed company are required, through the Domestic Company or a PRC agent, or Domestic Agent, to complete certain procedures and transactional foreign exchange matters under the stock incentive plan upon the examination by, and the approval of, SAFE or its authorized local counterparts; the Domestic Agent is required to register relevant information of the stock incentive plan with the authorized local counterparts of SAFE

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within three business days of each quarter and is also required to complete foreign exchange cancellation procedures within twenty business days after termination of the stock incentive plan.

We have advised our employees and directors participating in the 2006 stock incentive plan to handle foreign exchange matters in accordance with Notice 7. However, we cannot assure you that our PRC individual beneficiary owners and the stock options holders can successfully register with the SAFE in full compliance with Notice 7. PRC individuals and PRC companies in violation of Notice 7 will be punished by the SAFE, according to the Regulation of the People's Republic of China on Foreign Exchange Administration, Detailed Rules for the Implementation of the Measures for the Administration of Individual Foreign Exchange and other regulations.

Risks Related to Our Ordinary Shares and ADSs

The market price for our ADSs has been volatile and may continue to be volatile.

The trading prices of our ADSs have been and may continue to be highly volatile and could fluctuate widely due to factors beyond our control. From the initial listing of our ADSs on the Nasdaq Global Market on February 7, 2007 to February 7, 2008, the closing prices of our ADSs have ranged from US\$16.30 to US\$75.43 per ADS. Then from the day after the date of our 3-for-1 ADS split (February 7, 2008) to the date of this annual report, the closing prices of our ADSs have ranged from US\$1.23 to US\$25.75 per ADS. The last reported trading price of our ADSs on April 27, 2012 was US\$1.37 per ADS. This is due to broad market and industry factors, such as the anti-dumping and countervailing duty investigation in the U.S., the escalation of the European sovereign debt crisis since 2011, significant consumer subsidy reduction, the performance and fluctuation in the market prices or the underperformance or declining financial results of other companies based in China that have listed their securities in the United States in recent years. The securities of some of these companies have experienced significant volatility since their initial public offerings, including, in some cases, substantial price declines in the trading prices of their securities. The trading performances of other Chinese companies' securities after their offerings may affect the attitudes of investors toward Chinese companies listed in the United States, which consequently may impact the trading performance of our ADSs, regardless of our actual operating performance. In addition, any negative news or perceptions about inadequate corporate governance practices or fraudulent accounting, corporate structure or matters of other Chinese companies may also negatively affect the attitudes of investors towards Chinese companies in general, including us, regardless of whether we have conducted any inappropriate activities. In addition, the market price of our ADSs may continue to fluctuate in response to factors including the following:

- changes in international trade policies;
- announcements of technological or competitive developments;
- regulatory developments in our target markets affecting us, our customers, our potential customers or our competitors;
- announcements regarding patent litigation or the issuance of patents to us or our competitors;

- announcements of studies and reports relating to the conversion efficiencies of our products or those of our competitors;
- actual or anticipated fluctuations in our quarterly operating results;
- changes in financial estimates by securities research analysts;
- changes in the performance or market valuations of other photovoltaic technology companies;
- addition or departure of our executive officers;
- fluctuations in the exchange rate between the U.S. dollar and Renminbi;
- detrimental negative publicity about us, our competitors or our industry; and

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- sales or perceived sales of additional ordinary shares or ADSs.

In addition, securities markets may from time to time experience significant price and volume fluctuations that are not related to our operating performance, such as the large decline in share prices in the United States, China and other jurisdictions in late 2008, early 2009 and the second and third quarters of 2011. These market fluctuations may also have a material adverse effect on the market price of our ADSs.

Our most current memorandum and articles of association contain anti-takeover provisions that could have a material adverse effect on the rights of holders of our ordinary shares and ADSs.

Our most current memorandum and articles of association limit the ability of others to acquire control of our company or cause us to engage in change-of-control transactions. These provisions could have the effect of depriving our shareholders of an opportunity to sell their shares at a premium over prevailing market prices by discouraging third parties from seeking to obtain control of our company in a tender offer or similar transaction. For example, our Board of Directors has the authority, without further action by our shareholders, to issue preferred shares in one or more series and to fix their designations, powers, preferences, privileges, and relative participating, optional or special rights and the qualifications, limitations or restrictions, including dividend rights, conversion rights, voting rights, terms of redemption and liquidation preferences, any or all of which may be greater than the rights associated with our ordinary shares, in the form of ADS or otherwise. Preferred shares could be issued quickly with terms calculated to delay or prevent a change in control of our company or make removal of management more difficult. If our Board of Directors decides to issue preferred shares, the price of our ADSs may fall and the voting and other rights of the holders of our ordinary shares and ADSs may be materially and adversely affected.

Holders of our ADSs have fewer rights than holders of our ordinary shares and may not receive voting materials in time to be able to exercise your right to vote.

Holders of our ADSs do not have the same rights of holders of our ordinary shares and may only exercise the voting rights attaching to the ordinary shares evidenced by our ADSs in accordance with the provisions of the deposit agreement. Under our most current memorandum and articles of association, the minimum notice period required to convene a general meeting will be ten days. When a general meeting is convened, holders of our ADSs may not receive sufficient notice of a shareholders' meeting to permit them to withdraw their ordinary shares to cast vote with respect to any specific matter. In addition, the depositary and its agents may not be able to send voting instructions to holders of our ADSs or carry out their voting instructions in a timely manner. We will make all reasonable efforts to cause the depositary to extend voting rights to holders of our ADSs in a timely manner, but we cannot assure you that holders of our ADSs will receive the voting materials in time to ensure that they can instruct the depositary to vote their ADSs. Furthermore, the depositary and its agents will not be responsible for any failure to carry out any instructions to vote, for the manner in which any vote is cast or for the effect of any such vote. As a result, holders of our ADSs may not be able to exercise their right to vote and they may lack recourse if their ADSs are not voted as requested. In addition, an ADS holder, under such capacity, will not be able to call a shareholder meeting.

You may be subject to limitations on transfers of our ADSs.

Our ADSs are transferable on the books of the depositary. However, the depositary may close its transfer books at any time or from time to time when it deems expedient in connection with the performance of its duties. In addition, the depositary may refuse to deliver, transfer or register

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transfers of ADSs generally when our books or the books of the depositary are closed, or at any time if we or the depositary deem it advisable to do so because of any requirement of law or of any government or governmental body, or under any provision of the deposit agreement, or for any other reason.

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

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

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

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

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

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

You may have difficulty enforcing judgments obtained against us.

We are a Cayman Islands company and substantially all of our assets are located outside of the United States. A significant portion of our current operations are conducted in China. In addition, most of our directors and officers are nationals and residents of countries other than the

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

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predicated upon the civil liability provisions of the securities laws of the United States or any state. In addition, it is uncertain whether such Cayman Islands or PRC courts would be competent to hear original actions brought in the Cayman Islands or 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 for United States federal income tax purposes, which could result in adverse U.S. federal income tax consequences to U.S. holders of our ADSs or ordinary shares.

Although we do not believe that we were classified as a PFIC for the taxable year ended 2011, there is a significant risk that we will be classified as a PFIC for our current taxable year ending 2012 and future taxable years unless our share value increases and/or we invest a substantial amount of the cash and other passive assets that we hold in assets that produce or are held for the production of active income. A non-United States corporation, such as our company, will be classified as a PFIC for United States federal income tax purposes for any taxable year, if either (1) 75% or more of its gross income for such year consists of certain types of passive income, or (2) 50% or more of its average quarterly assets as determined on the basis of fair market value during such year produce or are held for the production of passive income. Because there are uncertainties in the application of the relevant rules and PFIC status is a fact-intensive determination made on an annual basis, no assurance may be given with respect to our PFIC status for any taxable year.

If we are classified as a PFIC for any year during which a U.S. Holder holds ADSs or ordinary shares, a U.S. Holder may incur significantly increased United States income tax on gain recognized on the sale or other disposition of the ADSs or ordinary shares and on the receipt of distributions on the ADSs or ordinary shares to the extent such gain or distribution is treated as an excess distribution under the United States federal income tax rules. Furthermore, a U.S. Holder will generally be treated as holding an equity interest in a PFIC in the first taxable year of the U.S. Holder's holding period in which we become a PFIC and subsequent taxable years (PFIC-Tainted Shares) even if, in fact, we, in fact, cease to be a PFIC in subsequent taxable years. Accordingly, a U.S. Holder should, to the extent an election is available, consider making a mark-to-market election to avoid owning PFIC-Tainted Shares. See the discussion under Item 10.E. Taxation Material United States Federal Income Tax Considerations Passive Foreign Investment Company Considerations concerning the United States federal income tax consequences of an investment in the ADSs or ordinary shares if we are or become classified as a PFIC, including the possibility of making a mark-to-market election.

ITEM 4. INFORMATION ON THE COMPANY

A. HISTORY AND DEVELOPMENT OF THE COMPANY

Our ultimate holding company, JA Solar, was incorporated on July 6, 2006 as an exempted company with limited liability. JA Solar is governed by the Companies Law of the Cayman Islands.

We commenced our business in May 2005 through JA Hebei, a limited liability company established in China. To enable us to raise equity capital from investors outside of China, we incorporated JA Development Co., Ltd., or JA BVI, in the British Virgin Islands in July 2006, and established a holding company structure by restructuring JA Hebei as a wholly-owned subsidiary of JA BVI.

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In August 2006, we undertook a further restructuring by issuing shares of JA Solar to all existing shareholders of JA BVI in exchange for all of the shares that these shareholders held in JA BVI. As a result, JA BVI became a wholly-owned subsidiary of JA Solar. We completed our initial public offering in February 2007 and had our ADSs listed on the NASDAQ Stock Market.

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Historically, we have primarily been engaged in the manufacturing and sales of solar cells. Since the fourth quarter of 2009, we have expanded our business to upstream silicon wafer manufacturing and downstream manufacturing and sales of solar modules. In addition, we further expanded our business into providing EPC services in the third quarter of 2011. We conduct our operations primarily through the following operating subsidiaries in China:

- JA Hebei, incorporated in May 2005 in Ningjin, Hebei Province. JA Hebei is engaged in the manufacturing of solar cells;
- JA Yangzhou, incorporated in November 2007 in Yangzhou, Jiangsu Province. JA Yangzhou is engaged in the manufacturing of solar cells;
- JA Yangzhou R&D, incorporated in March 2009 in Yangzhou, Jiangsu Province. JA Yangzhou R&D is engaged in research and development of solar cell technology;
- JA Fengxian, incorporated in November 2006 in Fengxian, Shanghai. JA Fengxian is engaged in the manufacturing of solar modules;
- JA Lianyungang, incorporated in October 2008 in Lianyungang, Jiangsu Province. JA Lianyungang is engaged in the manufacturing of silicon wafers;
- JA Yangzhou PV Engineering, incorporated in November 2009 in Yangzhou, Jiangsu Province. JA Yangzhou PV Engineering is engaged in providing EPC services;
- JA Wafer R&D, incorporated in November 2010 in Lianyungang, Jiangsu Province. JA Wafer R&D is engaged in the research and development of silicon wafer technology;
- JA Hefei Renewable Energy, incorporate in March 2011 in Hefei, Anhui Province. JA Hefei Renewable Energy is engaged in the manufacturing of solar power products;
- JA Hefei Technology, incorporated in July 2011 in Hefei, Anhui Province. JA Hefei Technology is engaged in the manufacturing of solar power products.

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In October 2011, we established JA Solar Investment China Co., Ltd. for general corporate and investment purposes.

In November 2011, we completed acquisition of 100% equity interest in Silver Age, which was 70% owned by Jinglong BVI, our largest shareholder, and 30% owned by an independent third party. Silver Age owns Solar Silicon Valley, a leading producer of mono-crystalline silicon wafer based in Yanjiao, Hebei Province, China.

The following diagram illustrates our corporate structure as of the date of this annual report.

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Our principal executive offices are located at No. 36, Jiang Chang San Road, Zhabei, Shanghai, the People's Republic of China. Our telephone number at this address is (86) 21-60955999 and our fax number is (86) 21-60955727.

Investor inquiries should be directed to us at the address and telephone number of our principal executive offices set forth above. Our website is www.jasolar.com. The information contained on our website is not part of this annual report. Our agent for service of process in the United States is JA Solar USA, Inc., located at 860 Hillview Court, Suite 100, Milpitas, CA 95035.

B. BUSINESS OVERVIEW

Overview

Our primary business is to design, develop, manufacture and sell solar cell and solar module products that convert sunlight into electricity for a variety of uses. Historically, we primarily engaged in the manufacturing and sales of solar cells. In the fourth quarter of 2009, we expanded our business to the manufacturing and sales of solar modules as well as silicon wafer manufacturing. Our principal products are monocrystalline and multicrystalline solar cells but we also manufacture solar modules in a variety of standard and specialty. We sell our products mainly under the JA Solar brand name but also produces original equipment for manufacturers or customers under their brand names, also called OEM.