

Trina Solar LTD
Form 20-F
April 24, 2015
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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 12(g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2014

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

OR

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

Date of event requiring this shell company report

Commission file number: 001-33195

TRINA SOLAR LIMITED

(Exact name of Registrant as specified in its charter)

N/A

(Translation of Registrant's name into English)

Cayman Islands

(Jurisdiction of incorporation or organization)

No. 2 Tian He Road

Electronics Park, New District

Changzhou, Jiangsu 213031

People's Republic of China

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

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

Title of each class	Name of each exchange on which registered
American Depositary Shares, each representing 50 ordinary shares, par value \$0.00001 per share	New York Stock Exchange

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

None
(Title of Class)

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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.

4,606,198,382 ordinary shares, par value \$0.00001 per share, as of December 31, 2014.

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

Yes No

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

Yes No

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

Yes No

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

Yes No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

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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:

U.S. GAAP

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

Other

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

Item 17 Item 18

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

Yes No

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

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

Yes No

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INTRODUCTION

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

- We, us, our, and our company refer to Trina Solar Limited, its predecessor entities and its subsidiaries;
- Trina refers to Trina Solar Limited;
- Trina China refers to Changzhou Trina Solar Energy Co., Ltd.;
- TST refers to Trina Solar (Changzhou) Science and Technology Co., Ltd.;
- ADSs refers to our American depositary shares, each of which represents 50 ordinary shares;
- ADRs refers to the American depository receipts, which, if issued, evidence our ADSs;
- China or PRC refers to the People's Republic of China, excluding, for the purpose of this annual report, Taiwan, Hong Kong and Macau;
- RMB or Renminbi refers to the legal currency of China, \$ or U.S. dollars refers to the legal currency of the United States, and or Euro refers to the legal currency of the European Union;
- shares or ordinary shares refers to our ordinary shares, par value \$0.00001 per share; and
- issued and outstanding refers to our shares that have been issued, outstanding and paid in full, for the avoidance of doubt, excluding shares that have been set aside in relation to any share incentive plan or convertible debt security.

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

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

This annual report on Form 20-F includes our audited consolidated financial statements for the years ended December 31, 2012, 2013 and 2014.

This annual report contains translations of certain Renminbi amounts into U.S. dollars at the rate of RMB6.2046 to \$1.00, the noon buying rate in effect on December 31, 2014 in New York City for cable transfers of Renminbi as certified for customs purposes by the Federal Reserve Bank of New York. We make no representation that the Renminbi or U.S. dollar amounts referred to in this annual report could have been or could be converted into U.S. dollars or Renminbi, as the case may be, at any particular rate or at all. See Item 3. Key Information D. Risk Factors Risks Related to Our Company and Our Industry Fluctuations in exchange rates could adversely affect our business. On April 17, 2015, the noon buying rate was RMB6.1976 to \$1.00.

We completed the initial public offering of 5,300,000 ADSs on December 22, 2006. On December 19, 2006, we listed our ADSs on the New York Stock Exchange under the symbol TSL. On November 22, 2010, our ADRs started trading on the Singapore Exchange GlobalQuote Board under the symbol K3KD.

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Not Applicable.

Item 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not Applicable.

Item 3. KEY INFORMATIONA. Selected Financial and Operational Data

The following selected consolidated statement of operations data (other than ADS data) for the years ended December 31, 2012, 2013 and 2014 and the selected consolidated balance sheets data as of December 31, 2013 and 2014 have been derived from our audited financial statements included elsewhere in this annual report. The selected consolidated financial data should be read in conjunction with those financial statements and the accompanying notes and Item 5. Operating and Financial Review and Prospects below. Our consolidated financial statements are prepared and presented in accordance with United States generally accepted accounting principles, or U.S. GAAP. Our historical results do not necessarily indicate our results expected for any future periods.

Our selected consolidated statements of operations data (other than ADS data) for the years ended December 31, 2010 and 2011 and our consolidated balance sheets data as of December 31, 2010, 2011 and 2012 have been derived from our audited consolidated financial statements, which are not included in this annual report.

	Year Ended December 31,				
	2010	2011	2012	2013	2014
	(in thousands, except for share, per share, operating data and percentages)				
Consolidated Statement of Operations Data					
Net sales	\$ 1,857,689	\$ 2,047,902	\$ 1,296,655	\$ 1,774,971	\$ 2,286,119
Cost of sales	1,273,328	1,715,260	1,239,412	1,556,777	1,900,547
Gross profit	584,361	332,642	57,243	218,194	385,572
Operating expenses:					

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Selling expenses	75,677	100,427	118,885	132,824	135,061
General and administrative expenses	72,711	157,129	176,719	103,523	108,150
Research and development expenses	18,625	44,120	26,511	19,926	22,258
Total operating expenses	167,013	301,676	322,115	256,273	265,469
Income (loss) from operations	417,348	30,966	(264,872)	(38,079)	120,103
Foreign exchange gain (loss)	(36,156)	(27,435)	908	(13,576)	(21,934)
Interest expense	(33,952)	(35,021)	(51,887)	(48,445)	(34,886)
Interest income	2,590	3,056	8,552	3,958	2,793
Derivatives (loss) gain	9,476	(11,393)	8,542	2,180	3,422
Other income, net	216	9,317	6,797	8,696	7,250
Income (loss) before income taxes	359,522	(30,510)	(291,960)	(85,266)	76,748
Income tax (expense) benefit	(48,069)	(7,310)	25,405	13,030	(15,488)
Net income (loss)	311,453	(37,820)	(266,555)	(72,236)	61,260
Net loss (income) attributable to the noncontrolling interests		(1)	(1)	210	(1,922)
Net income (loss) attributable to Trina Solar Limited Shareholders	\$ 311,453	\$ (37,820)	\$ (266,555)	\$ (72,026)	\$ 59,338
Earnings (loss) per ordinary share:					
Basic	\$ 0.09	\$ (0.01)	\$ (0.08)	\$ (0.02)	\$ 0.02
Diluted	\$ 0.08	\$ (0.01)	\$ (0.08)	\$ (0.02)	\$ 0.01
Earnings (loss) per ADS(2):					
Basic	\$ 4.58	\$ (0.54)	\$ (3.77)	\$ (1.01)	\$ 0.76
Diluted	\$ 4.18	\$ (0.54)	\$ (3.77)	\$ (1.01)	\$ 0.74
Weighted average ordinary shares outstanding:					
Basic	3,402,701,503	3,521,182,416	3,534,829,694	3,553,552,756	3,881,503,977
Diluted	3,833,713,796	3,521,182,416	3,534,829,694	3,553,552,756	4,274,694,832
Weighted average ADS outstanding:(2)					
Basic	68,054,030	70,423,648	70,696,594	71,071,055	77,630,080
Diluted	76,674,276	70,423,648	70,696,594	71,071,055	85,493,897
Consolidated Financial Data					
Gross margin(3)	31.5%	16.2%	4.4%	12.3%	16.9%
Net margin(4)	16.8%	(1.8)%	(20.6)%	(4.1)%	2.7%
Consolidated Operating Data					
PV modules shipped (in MW)(5)	1,057.0	1,512.0	1,594.0	2,584.3	3,336.2
Average selling price (\$/W)	\$ 1.75	\$ 1.33	\$ 0.78	\$ 0.64	\$ 0.63

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- (1) The amount of net loss attributable to the noncontrolling interest is less than one thousand for the years ended December 31, 2011 and 2012.
- (2) Reflects ADS ratio change effective January 2010.
- (3) Gross margin represents the result of gross profit divided by net sales.
- (4) Net margin represents the result of net income (loss) divided by net sales.
- (5) Excludes shipment to our solar power projects segment.

	2010	2011	As of December 31, 2012 (in thousands)	2013	2014
Consolidated Balance Sheet Data					
Cash and cash equivalents	\$ 752,748	\$ 816,780	\$ 807,276	\$ 486,686	\$ 392,892
Restricted cash	38,035	79,602	110,920	74,720	146,929
Inventories	79,126	249,779	318,504	244,532	350,852
Accounts receivable, net	377,317	466,537	390,157	435,092	608,149
Total current assets	1,415,139	1,768,722	1,765,487	1,521,701	1,773,346
Property, plant and equipment, net	571,467	919,727	893,340	889,752	1,253,543
Total assets	2,132,089	2,877,448	2,864,857	2,567,229	3,199,566
Short-term borrowings and current portion of long-term borrowings	158,652	389,472	875,821	935,590	820,252
Accounts payable	188,000	472,092	423,985	461,148	742,007
Total current liabilities	600,070	1,007,435	1,479,155	1,540,543	1,749,803
Accrued warranty costs	38,711	58,810	65,780	81,743	103,197
Long-term borrowings, excluding current portion	299,977	520,151	415,150	100,502	22,434
Total equity	1,173,647	1,145,325	881,785	822,479	1,001,079
Total liabilities and equity	\$ 2,132,089	\$ 2,877,448	\$ 2,864,857	\$ 2,567,229	\$ 3,199,566

B. Capitalization and Indebtedness

Not Applicable.

C. Reasons for the Offer and Use of Proceeds

Not Applicable.

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D. Risk Factors

Risks Related to Our Company and Our Industry

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

We are affected by solar power markets and industry trends. Weakened global economic conditions may affect the availability of financing, which in turn would slow the demand for photovoltaic, or PV, projects. As a result of global economic conditions, some governments may implement austerity measures that reduce the feed-in-tariffs, or FITs and other incentives designed to benefit the solar industry. In 2008 and 2009, demand for global solar power declined due to decreased availability of financing for downstream buyers of solar power products as a result of the global economic crisis. During the same period, increased manufacturing capacity combined with decreasing demand and prices caused a decline in the prices of solar power products. In 2011, a decrease in government payment to solar power producers, which were in the form of FITs and other reimbursements, and a reduction in available financing caused a decrease in the growth in the number of solar power projects in the European markets. Payments to solar power producers decreased as governments in Europe, under pressure to reduce sovereign debt levels, reduced incentives such as FITs, which require public utility companies to pay higher prices for solar power than for power generated through conventional means. Furthermore, many downstream purchasers of solar power products were unable to secure sufficient financing for the solar power projects due to the global credit crunch. As a result, many solar power producers that purchase solar power products from manufacturers like us were unable or unwilling to expand their operations. These market conditions were exacerbated by an over-supply of solar power products, primarily driven by an increase in manufacturing capacity that continued through 2011, which adversely affected the prices of solar power products.

In 2012, governments further reduced their support in the European markets that have traditionally relied upon FITs to support demand and fewer markets utilized FITs and power purchase agreements to support demand, which in the aggregate resulted in a marked decline in the global growth rate of demand for solar products. Further, in December 2013, anti-dumping and anti-subsidy duties imposed by the European Commissions on crystalline silicon photovoltaic, or CSPV, cells and modules originating in or consigned from China became effective, motivating a number of Chinese solar product manufacturers, including us, to agree to a price undertaking, pursuant to which exporters agreed not to sell more than an agreed amount of solar panels or certain related components into the European Union at a minimum price. Both the FITs reduction and the price undertaking have resulted in an increase in prices and a further decrease in demand in European markets. Although demand in other regions, including the U.S., Japan and India, as well as many other emerging markets in Asia, the Middle East and Africa, is expected to offset the decline in European demand, we cannot assure you that those increases will continue in the future and fully offset the declining demand in Europe.

The demand for solar power is also influenced by macroeconomic factors such as global economic conditions, the supply and prices of other energy products such as oil, coal and natural gas, and 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 these negative market and industry trends continue and demand for solar power projects and solar power products weakens as a result, our business and results of operations may be materially and adversely affected.

The determination by U.S. and European Union authorities that our export sales are in violation of international fair trade rules could impede our access to important export markets and our overall competitiveness.

In 2011, solar panel manufacturing companies in the United States filed antidumping and countervailing duty petitions with the U.S. government, which resulted in the institution of antidumping and countervailing duty investigations relating to imports into the United States of CSPV cells, whether or not assembled into modules, from China. In December 2012, following completion of those investigations by the U.S. International Trade Commission, or the Commission, and the U.S. Department of Commerce, or Commerce, antidumping and countervailing duty orders were imposed on imports into the United States covered by the investigation, including imports of our products originating from China. The orders require an effective net cash deposit rate on all imports of these covered products, which currently is set at 23.75% and may increase or decrease in the future. The current rate will be in effect until the final determination in the first administrative review, which is expected around May 2015. The actual duty rates at which entries of covered merchandise will be finally assessed may differ from the deposit rates because they are subject to completion of ongoing administrative reviews of the antidumping and countervailing duty orders. The first administrative review process is still underway, and preliminary results were published on January 8, 2015 and final results are expected to be published in the second quarter of 2015. According to the preliminary results, the anti-dumping rate proposed for approximately 20 Chinese exporters, including us, was 1.82%, significantly lower than the average net cash deposit rate initially projected. The proposed countervailing duty rate for us was 15.68%. A second administrative review is also currently underway. In February 2013, we, along with other parties, including the U.S. companies that petitioned for the investigations, filed appeals with the U.S. Court of International Trade, or the CIT, challenging various aspects of Commerce's findings. We may not be successful in our appeals, in which case the scope of the antidumping and countervailing duty orders could remain or be expanded.

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Also, on December 31, 2013, SolarWorld Industries America, Inc., or SolarWorld, a U.S. producer of solar cells and panels, filed a separate petition with the U.S. government resulting in the institution of new antidumping and countervailing duty investigations against imports from China. The petitions accuse Chinese producers of certain CSPV cells and modules of dumping their products in the United States and receiving countervailable subsidies from the Chinese government. This action excludes from its scope certain products, including any products that are covered by the antidumping and countervailing duty orders imposed in 2012. This trade action also accuses Taiwanese producers of certain CSPV cells and modules of dumping their products in the United States. These petitions seek to subject modules assembled in China using solar cells produce outside of China to antidumping and countervailing duties. On December 17, 2014, Commerce issued final rulings that imports of certain CSPV cells and modules were dumped in the United States from China and Taiwan and that imports of certain CSPV cells and modules from China received subsidies. On these imports we received an anti-dumping duty rate of 26.71% and a countervailing duty rate of 49.79%, which will be in effect until the final determination of the first administrative review. On January 21, 2015, the Commission affirmed that imports of certain CSPV cells and modules from mainland China and Taiwan materially injure the domestic industry. The actual duty rates at which entries of covered merchandise will be finally assessed may differ from the announced deposit rates, because they will be subject to completion of administrative reviews of these antidumping and countervailing duty orders. We expect the first administrative reviews to be completed by the first half of 2017. We are considering whether to file an appeal of the final determinations issued by Commerce and the Commission.

On September 6, 2012 and November 8, 2012, the European Commission announced the initiation of antidumping and anti-subsidy investigations, respectively, concerning imports into the European Union of CSPV modules and key components (i.e., cells and wafers) originating in China. On December 5, 2013, the Council of the European Union announced its final decision imposing antidumping and anti-subsidy duties on imports of CSPV cells and modules originating in or consigned from China. An average duty of 47.7%, consisting of both antidumping and anti-subsidy duties, are applicable for a period of two years beginning on December 6, 2013 to imports from Chinese solar panel exporters who, like us, cooperated with the European Commission's investigations. However, on the same day, the European Commission accepted a price undertaking by Chinese export producers in connection with the antidumping and anti-subsidy proceedings. As a result, imports from Chinese solar panel exporters that are made pursuant to the price undertaking are exempt from the final antidumping and anti-subsidy duties imposed by the European Union. We have agreed to comply with the minimum price and other conditions set forth in the undertaking so that our exported products will be exempt from the antidumping and anti-subsidy duties imposed by the European Commission. The European Commission monitors compliance on an ongoing basis, and there have been allegations of non-compliance to the price undertaking by certain Chinese export producers. If the price undertaking is withdrawn because the European Commission determined that these Chinese export producers are not complying with the price undertaking, the above-described duties would be applied on our exports to the European markets and could materially and adversely affect our affiliated European Union operations and increase our cost of selling into the region, which could negatively affect our financial conditions and results of operations.

It is also possible that other antidumping or countervailing duty or other import restrictive proceedings will be initiated in additional jurisdictions. For example, in November 2012, India initiated antidumping investigations against solar cell imports from China, the United States, Malaysia and Taiwan, and in May 2014, India's Department of Commerce recommended imposing duties on electricity produced on solar cell imports from these countries before India's Ministry of Finance decided against imposing any such duties in September 2014. Further, on May 14, 2014, Australia initiated an antidumping investigation against certain CSPV modules or panels exported to Australia from China. Although our policy requires that all of our export sales comply with international trade practices, we cannot guarantee that the government agencies in the jurisdictions in which actions are brought will not impose trade remedy actions. Under the antidumping and countervailing duty laws, significant additional duties may be imposed on imports of our products into these countries, which increase our costs of accessing these additional markets. As a result of the duties imposed by the relevant authorities, or if duties are imposed on our PRC-manufactured products, we may adjust our business strategy for selling into these jurisdictions. Any change in our business strategy would create a number of operational and legal uncertainties. Any of the above scenarios may materially and adversely impact our sales, thereby limiting our opportunities for growth.

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We have been named as a defendant in certain legal and administrative actions that may have a material adverse impact on our operating results and financial condition.

We must defend against legal and administrative actions described in Item 8 of this annual report, Item 8. Financial Information A. Consolidated Statements and Other Financial Information Legal and Administrative Proceedings. These include various trade actions as well as lawsuits brought by the trustees of Solyndra LLC and Energy Conversion Devices Liquidation Trust, against which the defendants, including us, filed motions to dismiss the claims in their entirety. The motion to dismiss the Solyndra LLC trustee's lawsuit was denied by the court and discovery is proceeding in that case. The motion to dismiss Energy Conversion Devices Liquidation Trust's lawsuit was granted by the district court, though the plaintiff has filed a motion for reconsideration of the district court's order and the court has not yet issued a decision. We will continue to defend ourselves in these cases, although we cannot be certain that we will be successful in these efforts. We also cannot be certain that we will be able to successfully defend ourselves against these claims if either case is brought to trial. We will consider appealing the outcome of these legal and administrative actions should our initial defense be unsuccessful. Although we will vigorously defend these cases we are currently unable to estimate the possible loss or possible range of loss, if any, associated with the resolution of these legal and administrative actions and disputes. Any unfavorable outcome from these actions and disputes, including an appeal of the judgment or outcome in these actions and disputes, may have a material adverse effect on our consolidated financial position, results of operations, or cash flows in the future. The legal and administrative proceedings may consume a material portion of our cash resources and divert management's attention from the day-to-day operations of our company, all of which could harm our business. There can be no assurance that we will prevail in any such appeal and any adverse outcome of these cases could have a material adverse effect on our business or results of operations.

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

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

The scope of the government incentives for solar power depends, to a large extent, on political and policy developments relating to environmental concerns in a given country, which could lead to a significant reduction in or a discontinuation of the support for renewable energies in such country. Federal, state and local governmental bodies in many of our primary-targeted markets, notably, Germany, Italy, the United Kingdom and other countries in Europe, China, the United States, Australia, India, Japan, as well as other markets in Asia, Africa, the Middle East, Latin America, and the Caribbean Islands have provided economic incentives in the form of capital cost rebates, feed-in tariffs, tax credits and other incentives to end users, distributors, system integrators and manufacturers of solar power products. Policy shifts could reduce or eliminate these government economic incentives altogether.

However, as the solar power industry continues to develop, these government economic incentives have been reduced and could continue to be reduced or be eliminated altogether. For example, in December 2010, the Spanish government reduced the maximum allowable annual operating hours for which PV systems could earn FIT payments. Germany further reduced its feed-in tariffs in the beginning of 2012 by 15% to up to 24.43 Euro cents per kilowatt hour for rooftop systems and up to 18.76 Euro cents per kilowatt hour for ground-based systems. In September 2012, Germany introduced a further reduction in feed-in tariffs of 1% monthly for roof-based systems while reducing or eliminating feed-in tariffs for ground-based systems. Reductions in FIT programs continued in 2012, 2013 and 2014 across Europe, including Germany, Italy, Spain, Romania and Czech. All such reductions may result in a significant fall in the price of PV products in order to support continued demand. In 2012, 2013 and 2014, Germany accounted for 33.1%, 10.4% and 1.0%, respectively, of our net sales and Spain accounted

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for 1.3%, 2.3% and 0.1%, respectively, of our net sales. We believe that uncertainty in political and policy developments may lead to increased competition among solar manufacturers. Electric utility companies that have significant political lobbying powers may also seek changes in the relevant legislation in their markets that may adversely affect the development and commercial acceptance of solar energy. Further, austerity measures being implemented by many countries attempting to lower national spending may reduce incentives to the solar industry. A significant reduction in the scope or discontinuation of government incentive programs, especially those in our target markets, could cause demand for our products and our revenues to decline, and have a material adverse effect on our business, financial condition, results of operations and prospects.

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Demand for our products may be adversely affected by the effects of the credit environment on our customers and seasonal variations.

Europe, the United States and international economies are in the midst of a prolonged period of slow economic growth. In particular, the credit and financial crises, terrorist acts and similar events, continued turmoil in the Middle East or war in general could contribute to a slowdown of the market demand for products that require significant initial capital expenditures, including solar power products. For example, global economics, capital markets and credit disruptions have resulted in slower investments in new installation projects that make use of solar power products. If the current economic recovery slows, stalls or reverses, we may experience decreases in the demand for our solar power products, which may harm our operating results.

Global economics, capital markets and credit disruptions also pose risks for our customers. Although we have benefited from historically low interest rates that have made it more attractive for our customers to use credit to purchase our products, interest rates may rise soon, which could increase the cost of financing purchases of our products and may reduce our customers' profits and investors' expected returns on investment. There can be no assurance that our customers will be able to borrow money on a timely basis or on reasonable terms, which could have a negative impact on demand for our products. If global economic growth remains slow, it could result in a decrease in the demand for our solar power products, which may harm our operating results. These same factors may adversely impact our existing or future sales agreements, including increasing the likelihood of contractual breaches by our counterparties. Our sales are affected by interest rate fluctuations and the availability of liquidity, and would be adversely affected by increases in interest rates or liquidity constraints. Rising interest rates may also make certain alternative investments more attractive to investors and therefore lead to a decline in demand for our solar power products, which could have a material adverse effect on our business, results of operations, financial conditions and cash flows.

Our sales are also affected by seasonal variations in demand linked to construction cycles and weather conditions. Because of this, comparisons of sales and operating results between different periods within a single financial year, or between different periods in different years, are not necessarily meaningful and cannot be relied on as indicators of our performance. Seasonality may cause our working capital and other cash flow requirements to vary depending on the variability in the volume and timing of sales. These factors, among other things, make forecasting more difficult and may reduce our ability to manage working capital and to predict financial results accurately.

Fluctuations in polysilicon prices may affect our margins.

Polysilicon is an essential raw material used in the production of solar cells and modules. Prior to the second half of 2008, there was an industry-wide shortage of polysilicon, primarily as a result of the growing demand for solar power products. In the past, increases in the price of polysilicon have increased our cost of sales and impacted our margins. Polysilicon production capacity expanded rapidly in 2009, which coupled with the global economic downturn, led to an oversupply of high-purity silicon in 2009, which aligned with the oversupply of solar wafers, cells and modules resulting in substantial downward pressure on prices throughout the value chain in 2011 until the second half of 2013. According to Solarbuzz, as demand increased during 2013, polysilicon spot prices began to stabilize and during the second half of 2013 through the first half of 2014 spot prices increased. Polysilicon production increased in 2014 due to higher prices, which weakened the upward pressures on spot prices. One of the main determining factors of polysilicon prices is upstream supply, which has been increasing since the beginning of 2014. According to Solarbuzz, annual polysilicon supply is forecasted to grow by 21.8% in 2015 compared to 2014, and prices are expected to rise in the first quarter of 2015 and then decrease during the rest of 2015. Further, the gap between average spot prices and contract prices for polysilicon used in PV applications has narrowed considerably in 2014 as previously entered into long-term contracts expired, were renegotiated to be priced by referencing to the prevailing market price, or were cancelled.

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We purchase polysilicon from a limited number of international and domestic suppliers. Consistent with market practice, our medium and long-term supply contracts generally contain price adjustment provisions that offer both parties the right to adjust contract price when the fluctuation of market price during a specified period has exceeded a threshold as agreed to by both parties. If the market price of polysilicon increases significantly in the future, our counterparties may renegotiate contract prices with us based on the then market price. Moreover, as the prices of other silicon-based raw materials, including ingots and wafers, are correlated to the price of polysilicon, an increase in the price of polysilicon would likely lead to increases in the prices of other silicon-based raw materials that we source from third parties. Due to the volatility of polysilicon prices, in 2012, we also renegotiated our wafer purchase amounts and prices under a long-term framework agreement with a third party to more closely track market prices. We cannot assure you that our polysilicon procurement strategy will be successful in ensuring that we have an adequate supply of polysilicon at commercially viable prices to meet our requirements. Further, if the price of polysilicon increases faster than the increase in the price of PV modules, we may be unable to pass this increase to our customers, or if the price of PV modules decreases more quickly than the decrease in the price of polysilicon, our results of operations could be materially and adversely affected.

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

We purchase silicon-based raw materials, including polysilicon, ingots and wafers, from a limited number of domestic and international suppliers, and from time to time we source or contract toll services from third party manufacturers to manufacture some of our wafers. We purchase non-silicon-based raw materials from many sources. If we fail to develop or maintain our relationships with the key third party suppliers or manufacturers, we may be unable to manufacture our products timely or our products may only be available at a higher cost or after a long delay. If we do not deliver products to our customers within the required time frames, we may experience order cancellations, loss of market share and legal action.

Furthermore, any decrease in the availability of financing may have a significant negative impact on suppliers and manufacturers of raw materials. Suppliers typically require a significant amount of cash to fund their production and operations, to meet contractual obligations arising from previous expansions of manufacturing facilities, as well as for research and development activities. The inability of our suppliers to access capital or the insolvency of our suppliers could lead to their failure to deliver raw materials to us. Our inability to obtain raw materials in a timely manner from suppliers could have a material adverse effect on our business, financial conditions and results of operations.

If we do not successfully renegotiate our medium-term and long-term contracts with our polysilicon and wafer suppliers, our raw material costs and our excess inventory may increase.

We purchase polysilicon from a limited number of international and domestic suppliers using short-term contracts, as well as medium-term and long-term contracts which we previously entered into. Several of these medium-term and long-term contracts are partially pre-paid. From the fourth quarter of 2008, the price of polysilicon decreased rapidly due to the increased supply of polysilicon that resulted from intensive investments in silicon manufacturing. As a result of the decrease in the price of polysilicon in late 2008 and early 2009, we renegotiated most of our medium-term and long-term contracts to reduce the purchase price, thereby reducing our costs. Since 2011, we have renegotiated several medium-term and long-term supply contracts that required us to purchase polysilicon at a pre-determined price or quantity to more closely link our purchase costs with market prices. Beginning in 2012, we have renegotiated our wafer purchase quantity annually and price monthly under a long-term framework agreement with a third party to more closely track market prices.

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See Item 4. Information on the Company B. Business Overview Suppliers and Contractors Manufacturing Segment for more information. If we are required to renegotiate our polysilicon and wafer contracts in the future and we are unable to reach an agreement with terms favorable to us, we may be placed at a competitive disadvantage compared to our competitors, and our costs could increase and our earnings could decline. In addition, if demand for our PV products decreases, yet our supply agreements require us to purchase more polysilicon or wafers than required to meet our actual customer demand, we may incur costs associated with carrying excess inventory. To the extent we are not able to pass these increased costs on to our customers, our business, cash flows, financial condition and results of operations may be materially and adversely affected.

Our future success depends in part on our ability to expand our business into solar power projects markets. Any failure to successfully implement this strategy could have a material adverse effect on our growth, business prospects and results of operations in future periods.

Our current business strategy includes plans to expand into selected solar power projects markets, which we believe are a natural extension of our vertically integrated business model. Historically, the solar module manufacturing business has accounted for the large majority of our net sales but as we continue to expand our business into the solar power projects segment of the industry, we expect that our solar power projects business will contribute an increasingly large portion of our net sales. These expansion plans may include investments in project companies and joint ventures and forming strategic alliances with third parties to balance system technologies, engineering, procurement and construction services, and related financing needs. These plans may require additional capital expenditures, which could be used in pursuit of other opportunities and investments. Additionally, our experience in the solar power products manufacturing industry may not be as relevant or applicable in downstream markets. We may also face intense competition from companies with greater experience or established presence in the targeted downstream markets or competition from our industry peers with similar expansion plans. Furthermore, we may not be able to manage entities which we invest in or provide adequate resources to such entities to maximize the return on our investments. We may not be able to secure the government approvals or licenses required for construction and operation of solar power projects in a timely manner, or at all. In the case of potential joint ventures and strategic alliances with third parties, we may face risks associated with the sharing of proprietary information, loss of control of operations that are material to our business and profit sharing arrangements. We may also consider acquisitions of existing downstream players, in which we may face difficulties related to the integration of the operations and personnel of acquired businesses and the division of resources between our existing and acquired operations.

We cannot assure you that we will be successful in expanding our business into solar power projects markets along the solar power product value chain. Any failure to successfully identify, execute and integrate our acquisitions, investments, joint ventures and alliances as part of entering into projects markets may have a material adverse impact on our growth, business prospects and results of operations, which could lead to a decline in the price of our ADSs.

We may not be able to locate third party buyers for our solar projects on a timely manner, or at all, or we may not be able to timely renew or replace expiring power purchase agreements, or PPAs, or other contractual arrangements with agreements containing equivalent terms and conditions.

Upon completing solar projects, we either sell them to third party buyers, or operate them under PPAs or other contractual arrangements with utility or grid operators. For those projects we intend to sell, if we are not able to locate third party buyers and agree to a purchase and sales contract on terms and conditions favorable to us and in a timely manner, or at all, our business, financial condition and results of operations could be materially and adversely affected. In addition, substantially all of our build-to-own solar power projects are located in China, where local subsidiaries of the State Grid Corporation of China, or the State Grid, purchase nearly all of the electricity we generate pursuant to PPAs. Our PPAs for projects located in China generally have terms of four to ten years and are subject to renewal by the parties when the original term expires. However, the PRC central government guarantees the FIT at a fixed price for all solar power projects approved by China's National

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Development and Reform Commission, or NDRC, for at least 20 years in principle. If we are unable to renew the PPAs when they expire, we may not be able to replace them with agreements of equivalent terms, or at all, or we may experience significant delays or incur additional costs related to securing replacements. Although the local subsidiaries of the State Grid are required under PRC law to purchase all electricity generated by renewable energy producers within their coverage areas, if, for any reason, the local subsidiaries of the State Grid are unable or unwilling to fulfill their obligations or otherwise terminate agreements prior to their expiration, our business, financial condition and results of operations could be materially and adversely affected.

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Solar power projects located in China can only receive subsidies from the PRC government after they are listed in the Renewable Energy Electricity Subsidy Catalog issued by China's Ministry of Finance, the NDRC, and the National Energy Administration from time to time, or the Subsidy Catalog.

Solar power projects located in China can only receive central government subsidies after completing the administrative and perfunctory procedures with the relevant authorities of finance, pricing and energy to be listed in the Subsidy Catalog. In order to be listed in the Subsidy Catalog, ground-mounted projects must submit applications to the relevant provincial authorities and rooftop projects must submit applications to the local grid companies in the area where the projects are located. After preliminary review of the applications, the relevant provincial authorities and the local grid companies will report to China's Ministry of Finance, the NDRC, and the National Energy Administration.

The Ministry of Finance, the NDRC and the National Energy Administration review the applications of all solar power projects and decide whether to list the projects in the Subsidy Catalog. In 2013, these agencies instituted a number of measures to standardize the approval process and the settlement of subsidies, but there have been significant delays in the listing of projects in the Subsidy Catalog, at times until even after electricity has been sold to the power grid, which has delayed the payment of the government subsidies. As of the date of this annual report, we have not received subsidies for our build-to-own projects located in China that have met all of the measures of the approval process because they have not been included in the most recent Subsidy Catalog. If we do not receive subsidies for our projects in a timely manner or at all, our business, cash flows, financial condition and results of operations may be materially and adversely affected.

Our ability to expand the pipeline of our projects business in several key markets exposes us to a number of risks and uncertainties.

As a greater proportion of our net sales will be derived from our solar power projects business, we will be increasingly exposed to the risks associated with solar power projects. Further, our future success largely depends on our ability to expand our solar power project pipeline. The risks and uncertainties associated with our projects business and our ability to expand our solar power project pipeline include:

- the need to raise funds to develop greenfield or purchase late-stage solar power projects, which we may be unable to obtain on commercially reasonable terms or at all;
- the uncertainty of being able to sell the projects, receive full payment for them upon completion, or receive payment in a timely manner;
- delays and cost overruns as a result of a number of factors, many of which are beyond our control, including delays in regulatory approvals, construction, grid-connection and customer acceptance testing;
- delays or denial of required approvals, permits or licenses by relevant government authorities in connection with the construction, grid-connection and operation of solar power projects;

- failure to negotiate favorable payment terms with components and services suppliers;
- unforeseeable engineering problems, construction or other unexpected delays and contractor performance shortfalls;
- labor, components and materials supply delays, shortages or disruptions, or work stoppages;
- failure to execute PPAs or other arrangements that are commercially acceptable to us;
- diversion of significant management attention and other resources; and
- failure to execute our project pipeline expansion plan effectively.

If we are unable to successfully expand our projects business, and in particular, our solar power project pipeline, we may be unable to expand our business, maintain our competitive position, improve our profitability, and generate the cash flows we have currently forecasted.

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

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

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

Under supply contracts with several of our multi-year polysilicon and our equipment suppliers, consistent with industry practice, we have made prepayments to our suppliers prior to the scheduled delivery dates for polysilicon and equipment. In many such cases, we made the prepayments without receiving collateral for such payments. As a result, our claims for such payments would rank as unsecured claims, which would expose us to the credit risks of our suppliers in the event of their insolvency or bankruptcy. Our claims against the defaulting suppliers would rank below those of secured creditors, which would undermine our chances of obtaining the return of our prepayments. Furthermore, if demand for our products decreases, we may incur costs associated with carrying excess materials. Accordingly, any of the above scenarios may have a material adverse effect on our financial condition and results of operations.

We must comply with certain financial and other covenants under the terms of our debt instruments and the failure to do so may put us in default under those instruments.

Many of our loan agreements include financial covenants and broad default provisions. The financial covenants primarily include current ratios, quick ratios, debt to asset ratios, contingent liability ratios and minimum equity requirements, which, in general, govern our existing long-term debt and debt we may incur in the future. These covenants could limit our ability to plan for or react to market conditions or to meet our capital needs in a timely manner and complying with these covenants we may require us to curtail some of our operations and growth plans. In addition, any global or regional economic deterioration may cause us to incur significant net losses or force us to assume considerable liabilities, which would adversely impact our ability to comply with the financial and other covenants of our outstanding loans. If our creditors refuse to grant waivers for any non-compliance with these covenants, such non-compliance will constitute an event of default which may accelerate the amounts due under the applicable loan agreements. Some of our loan agreements also contain cross-default clauses, which could enable creditors under our debt instruments to declare an event of default should there be an event of default on our other loan agreements.

We have on occasion failed to comply with certain financial covenants in some of our loan agreements. For example, as of August 31, 2014, Trina China was not in compliance with the current ratio and quick ratio requirements of loans from China Development Bank, and Trina Solar (Luxembourg) Holdings S.A.R.L. was not in compliance with the gearing ratio for loans from China Development Bank. On September 19, 2014, Trina China and Trina Solar (Luxembourg) Holdings S.A.R.L. each obtained waiver letters from China Development Bank waiving past breaches and revising those financial covenants.

Although we are currently in compliance with our existing financial and other covenants under the terms of our debt instruments, we cannot assure you that we will be able to remain in compliance with those covenants in the future. We may not be able to cure future violations or obtain a waiver on a timely basis in order to avoid a default. An event of default under any agreement governing our existing or future debt, if not cured by us or waived by our creditors, could have a material adverse effect on our liquidity, financial condition and results of operations.

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

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We typically require a significant amount of cash to fund our operations, especially for prepayments or loans to suppliers to secure our polysilicon supply requirements. We also will require a significant amount of cash to meet future capital requirements, including the expansion of our PV product manufacturing facilities and research and development activities, in order to remain competitive. Future acquisitions, expansions, market changes or other developments may cause us to require additional funds. As of December 31, 2012, 2013 and 2014, our aggregate outstanding borrowings were \$1,291.0 million, \$1,036.1 million and \$842.7 million, respectively, of which approximately \$875.8 million, \$935.6 million and \$820.3 million, respectively, were due within one year. We also had \$172.5 million 3.5% convertible senior notes due 2019 and \$115 million 4.0% convertible senior notes due 2019 as of December 31, 2014. As of December 31, 2014, we had \$392.9 million in cash and cash equivalents and \$146.9 million in restricted cash.

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We have historically negotiated with our lenders to renew or rollover our loans shortly before they mature. However, we cannot assure you that we will be able to renew or rollover these borrowings upon maturity in the future. In the event that we are unable to renew or rollover these borrowings, or if we are unable to obtain sufficient alternative funding at reasonable terms to fulfill relevant repayment obligation, we will have to repay these borrowings with cash generated by our operating activities. Our business might not generate sufficient cash flow from operations to repay these borrowings, some of which are secured by significant amounts of our assets, and at the same time fund our capital expenditures. If we are unable to make scheduled repayments in connection with our debt or other fixed payment obligations as they become due, we may need to renegotiate the terms and conditions of those obligations or obtain additional equity or debt financing. We cannot assure you that our renegotiation efforts would be successful or timely or that we would be able to refinance our obligations on acceptable terms or at all.

In addition, repaying these borrowings and financing our capital expenditures with cash generated by our operating activities will divert our financial resources from the requirements of our ongoing operations and future growth, and may have a material adverse effect on our business, financial condition and future prospects. If we are unable to obtain funding in a timely manner or on commercially acceptable terms, or at all, our growth prospects and future profitability may decrease materially. Moreover, future turmoil in the credit markets and the potential impact on the liquidity of financial institutions may have an adverse effect on our ability to fund our business through borrowings, under either existing or newly created instruments in the public or private markets on terms that we believe to be reasonable, if at all. Failure to secure any necessary financing in a timely manner and on favorable terms could have a material adverse effect on our growth strategy, financial performance and market price of ADSs and could require us to delay or abandon critical development plans.

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

The market for solar power products is competitive and evolves quickly. We face intense competition, which in the past has resulted in price reductions, reduced margins or loss of market share. We compete with other PV module manufacturing companies, including dedicated PV manufacturers such as First Solar Inc., Yingli Green Energy Holding Co., Ltd., Canadian Solar, Inc., JinkoSolar Holding Co., Ltd., JA Solar Holdings Co., Ltd. as well as multinational conglomerates such as Sharp Electronic Corporation and Mitsubishi Electric Corporation. We may also face competition in the downstream solar power business from competitors such as Canadian Solar Inc., JinkoSolar Holding Co., Ltd., and Yingli Green Energy Holding Co., Ltd., as well as the large Chinese state-owned electric utility enterprises in the downstream solar power business in China. Some of our competitors may have a stronger market position than ours, more sophisticated technologies and products, greater resources and better name recognition than we do. Further, some of our competitors are developing and are currently producing products based on new solar power technologies, such as thin-film technology, which may ultimately have costs similar to, or lower than, our projected costs.

The barriers to entry are relatively low in the PV module manufacturing business, given that manufacturing PV modules is labor intensive and requires limited technology. As the shortage of polysilicon has eased, supply chain management and financial strength have become less significant barriers to entry and many new competitors may enter the industry and cause it to become over-saturated. Some mid-stream solar power products manufacturers have been seeking to move downstream to strengthen their position in regional markets. In addition, we may also face new competition from manufacturers developing thin film and other PV technologies that are designed to offer economic or performance advantages, several of which have already announced their intention to start production of solar cells or module products. Decreases in polysilicon prices and increases in PV module production could result in substantial downward pressure on the price of PV modules and intensify the competition we face.

Some of our current and potential competitors have longer operating histories, access to a larger customer base, stronger relationships with customers, access to greater resources, and greater economies of scale, financing, sales and marketing, manufacturing, distribution, research and development, technical and other advantages over us. As a result, they may be able to respond more quickly to changing customer demands or

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market conditions or to devote greater resources to the development, promotion and sales of their products than we can. Our business relies on sales of our PV modules, and our competitors with more diversified product offerings may be better positioned to withstand a decline in the demand for PV modules. New competitors or alliances among existing competitors could emerge and rapidly acquire a significant market share, which would harm our business. Moreover, the key entry barriers to the downstream solar power business at present consist of availability of financing, availability of experienced technicians and executives who are familiar with the industry and the implementation of market access standards. If these barriers disappear or become easier to surmount, new competitors may successfully enter into the market, resulting in increased competition and loss of our market share, which could adversely affect our operating and net margins. If we fail to compete successfully, our business would suffer and we may lose or be unable to gain market share.

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

We currently sell a significant portion of our PV modules to a limited number of customers. In 2012, 2013 and 2014, sales to our top five customers accounted for approximately 25.1%, 18.7% and 34.7%, respectively, of our total net sales. Our largest customer contributed approximately 13.2% of our net sales in 2014. Sales to our customers are typically made through non-exclusive, short-term arrangements. We anticipate that our dependence on a limited number of customers will continue for the foreseeable future. Consequently, any one of the following events may cause material fluctuations or declines in our revenues:

- reduction, delay or cancellation of orders from one or more of our significant customers;

- selection of competing products by one or more of our significant customers;

- loss of one or more of our significant customers due to disputes, dissatisfaction with our products or otherwise and our failure to attract additional or replacement customers; and

- failure of any of our significant customers to make timely payment for our products.

We are exposed to the credit risk of these customers, some of which are new customers with whom we have not historically had extensive business dealings. Some of our overseas credit sales are insured against non-payment by our customers. The amount of insurance coverage for each transaction is based on a rating assigned by the insurer to the customer, based on that customer's credit history. However, we cannot assure you that all of our accounts receivable are sufficiently covered or that the insurer will be able to make payments on our claims. The failure of any of these significant customers to meet their payment obligations would materially and adversely affect our financial position, liquidity and results of operations.

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

We have historically required our customers to make an advance payment of a certain percentage of their orders, a business practice that helped us to manage our accounts receivable, prepay our suppliers and reduce the amount of funds that we needed to finance our working capital requirements. In line with market trends, this practice of requiring our customers to make advance payments is on the decline, which in turn has increased pressure to increase our working capital turnover or obtain additional financing to fund our working capital requirements. In 2014, a majority of our revenues were derived from credit sales, generally with payment schedules due according to negotiated contracts. In addition, some of our customers pay us through drawn upon acceptance, open account and letter of credit terms, which typically take approximately 90 days to 120 days to process in order for us to be paid, although in some instances the settlement period may be longer. Despite the more lenient payment terms, any of our customers may fail to meet their payment obligations, especially due to the global economic crisis and the resulting

decrease in the availability of financing, which would materially and adversely affect our financial position, liquidity and results of operations.

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

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

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Because our manufacturing capabilities are concentrated in our manufacturing facilities in China, any problem in our facilities may limit our ability to manufacture products. We may encounter problems in our manufacturing facilities as a result of, among other things, production failures, construction delays, human errors, equipment malfunction or process contamination, which could seriously harm our operations. We may also experience fires, floods, droughts, power losses and similar events beyond our control that would affect our facilities. For example, shortages or suspensions of power supplied to us have occasionally occurred due to severe thunderstorms in the area, and have disrupted our operations and caused severe damages to wafers in the process. A disruption to any step of our manufacturing process will require us to repeat each step and recycle the silicon debris, thus adversely affecting our yields. Operating hazards and natural disasters may cause interruption to our operations, property and/or environmental damage as well as personal injuries, and each of these incidents could have a material adverse impact on our results of operations. Although we carry business interruption insurance, losses incurred or payments required to be made by us due to operating hazards or natural disasters that are not fully insured may have a material adverse effect on our financial condition and results of operations.

We plan to build or acquire new facilities to increase our annual manufacturing capacity of ingots, wafers, cells, and modules from 2,000 megawatts, or MW, 1,700 MW, 3,100 MW and 4,000 MW, respectively, as of December 31, 2014 to 2,900 MW, 2,300 MW, 4,100 MW and 4,400 MW, respectively, as of December 31, 2015. We plan to incur capital expenditures of up to \$370 million to accomplish our 2015 expansion plans in our manufacturing segment. If we fail to implement that plan as expected, experience a delay in the ramp up or fail to achieve our targeted yields, our business and results of operations may be materially and adversely affected.

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

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

Our PV modules had typically been sold with a two or five year warranty for defects in materials and product workmanship and a minimum power output warranty of up to 25 years following the date of purchase or installation. In 2011, we extended the product workmanship warranty from two or five years to 10 years and began to guarantee that module power output will not decrease by more than approximately 0.7% per year after the initial year of service. We believe our warranty periods are consistent with industry practice. We only began to sell PV modules in November 2004. Although we conduct accelerated reliability testing of our PV modules, our PV modules have not been and cannot be tested in an environment simulating the 25-year warranty period. As a result, we may be subject to unexpected warranty expense and associated harm to our financial results for as long as 25 years after the sale of our products. Our warranty provisions for the years ended December 31, 2012, 2013 and 2014 were \$12.5 million, \$16.6 million and \$21.6 million, respectively. Any increase in the defect rate of our products would cause us to increase the amount of our warranty reserves and have a correspondingly negative impact on our operating results. Furthermore, widespread product failures may damage our market reputation, reduce our market share and cause our sales to decline.

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

We may develop and produce new products from time to time, such as high-efficiency monocrystalline and multicrystalline modules. In 2012, we introduced our Honey cell technology, which we have used to develop and manufacture a number of new products, and in January 2015 we launched two new high-efficiency multicrystalline and monocrystalline Honey Plus modules that we believe offer significant upgrades on our previous Honey modules. The two modules are expected to become available in select markets in the first half of 2015 with a worldwide launch scheduled in 2016. However, there is no guarantee that we will be able to successfully launch these products or that they, or any other products that we develop, will become commercially successful. We may be unable to generate sufficient customer demand for our new products if we are unable to develop and produce new products that provide the expected performance in a cost-effective manner. If we fail to generate demand for our new products, our business and prospects may be adversely affected and we may be unable to recoup our investment in the development and production of such products.

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

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

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

If solar power technology is not adopted widely, or sufficient demand for solar power products does not develop or takes longer to develop than we anticipate, our revenues may further decline and we may be unable to sustain our profitability.

The solar power market is at a relatively early stage of development, and the extent of acceptance of solar power products is uncertain. Market data on the solar power industry are not as readily available as those for other more established industries where trends can be assessed more reliably from data gathered over a longer period of time. We sell and market our products to a growing number of worldwide markets where government incentives are accelerating the adoption of solar power. In recent years, we have also increased our sales in newer and emerging solar power markets, which include the United Kingdom, India and Japan, as well as other markets in Asia, Africa, the Middle East, Latin America, and the Caribbean Islands. Many factors may affect the viability of widespread adoption of solar power technology and demand for solar power products in our targeted markets, including:

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

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- availability and access to grid infrastructure, including interconnection facilities, for solar power producers;
- success of other alternative energy generation technologies, such as wind power, hydroelectric power and biomass;
- fluctuations in economic and market conditions that affect the viability of conventional and other renewable energy sources, such as increases or decreases in the prices of oil and other fossil fuels;
- capital expenditures by end users of solar power products, which tend to decrease when the economy slows down; and
- deregulation of the electric power industry and broader energy industry.

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

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

The solar power market is characterized by evolving technologies and standards that result in improved features, such as more efficient and higher power output, improved aesthetics and smaller size. This requires us to develop new solar power products and enhance existing products to keep pace with evolving technologies and changing customer requirements. A variety of competing solar technologies that other companies may develop could prove to be more cost-effective and perform better than our technologies. For example, thin-film technologies are competing technologies in the solar power industry. According to Solarbuzz, thin-film production was estimated to be 4.4 gigawatt, or GW, compared to approximately 45.5 GW for crystalline technology, during 2014. Thin-film technologies allow for lower production costs for solar cells by using lower amounts of semiconductor materials. Thin-film solar cells generally have a lower conversion efficiency rate than crystalline solar cells. Further development in competing solar power technologies may result in lower manufacturing costs or higher product performance than those expected from our PV modules. We will need to invest significant financial resources in research and development to maintain our market position, keep pace with technological advances in the solar power industry and effectively compete in the future. Our failure to further refine our technology, enhance our existing solar power products, or develop and introduce new products, could cause our products to become uncompetitive or obsolete, which could reduce our market share and cause our revenues to decline.

Non-compliance with present or future construction and environmental regulations may result in potentially significant monetary damages and fines.

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In the past, we began constructing and operating facilities without having obtained all of the necessary construction and environmental permits. Although we have subsequently obtained most of the construction and environmental permits and approvals for these facilities, we could be subject to fines or penalties for our past non-compliance and for those permits and approvals that we have not yet obtained.

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

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

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In addition, we have received all permits and approvals necessary for the solar projects that were grid-connected as of December 31, 2014, except for the national environmental permit for our solar power project located in Yancheng, Jiangsu Province, China, which has been approved by the provincial environmental authority and is currently under review by the national environmental authority. The approval from the provincial environmental authority allowed us to connect the solar power project in Yancheng to the grid while we await final approval from the national environmental authority. Without these permits and approvals, we may be ordered to suspend construction and rectify the non-compliance, be charged a fine and, in the worst case scenario, be required to demolish solar power projects, which may materially and adversely affect our business and financial condition.

The failure to comply with PRC land laws and regulations regarding the lease of government allocated land use rights may materially and adversely affect our business, financial condition, results of operations and prospects.

We lease government allocated land use rights for our 120 MW solar power projects that are currently under construction in Yancheng City, Jiangsu Province. The lease contract was entered into in October 2012 and has a term of 20 years. However, these leases may not meet certain land-related legal requirements under PRC laws and regulations. According to the Interim Measures on Administration of Government Allocated Land Use Right, the lease of government allocated land use rights must first receive approval from the appropriate land administration departments, followed by a series of procedures that the owner of the government allocated land use right must complete, including signing the land use right grant contract and paying the land grant fee. Upon completion of these procedures, the landlord and the lessee must go through the registration formalities in respect of the leasehold interests. Although our lease of government allocated land use rights in Yancheng has been approved by the local land administration department, because we have not yet completed certain statutory procedures, our lease has not been properly registered and thus our leasehold interests may not be legally protected. We are in the process of working with the landlord to complete the required procedures, but we cannot ensure that the registration process will be completed in a timely manner or at all. If because of a failure to complete the registration process we are unable to continue using these lands, our business and financial condition could be materially and adversely affected.

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

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

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

- diversion of significant management attention and other resources; and
- failure to execute our expansion plan effectively.

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

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In particular, we believe that the expansion of our manufacturing capacity, including overseas, is an integral part of our strategy to achieve a grid parity cost structure during the solar industry consolidation. Our ability to meet our estimate for the scale of production needed to achieve grid parity is affected by a number of factors, including our ability to improve and maintain the degree of vertical integration and to increase our efficiencies and margins, the likelihood that we may approach or reach a point of diminishing returns as we continue to expand our scale, the average purchase price we will pay for silicon in the future to meet our expansion requirements, and the cost of conventional grid electricity which will determine at which point grid parity can be reached. We might not be able to meet our desired scale of production in order to fully implement our strategy. By expanding some of our module manufacturing outside of the PRC, we also subject ourselves to a number of additional risks, including risks related to interacting with foreign government authorities and foreign laws and regulations.

In addition, in order to increase our production output of solar PV products, it may be necessary to outsource certain phases of the production process, such as the manufacturing of silicon wafers, to third party manufacturers. Outsourcing portions of the production process leave us more vulnerable to fluctuations in the costs of outsourced products and could further reduce our profit margins. In addition, outsourcing exposes us to quality control, payment, delivery and a number of other risks that, if realized, could materially and adversely affect our business and results of operations.

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

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

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

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

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

If we fail to manage our growth effectively, particularly the growth of our new operating segment for solar power projects our business may be adversely affected.

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

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

In 2012, 2013 and 2014, we sold approximately 87.0%, 66.7% and 67.3%, respectively, of our products to customers outside of China. The marketing, distribution and sale of our solar power products in the international markets expose us to a number of risks, including:

- fluctuations in currency exchange rates;
- difficulty in engaging and retaining distributors who are knowledgeable about, and can function effectively in, overseas markets;
- increased costs associated with maintaining marketing efforts in various countries;
- difficulty and costs relating to compliance with the different commercial and legal requirements of the overseas markets in which we offer our products;
- trade barriers such as export requirements, tariffs, taxes and other restrictions and expenses, which could increase the prices of our products and make us less competitive in some countries; and
- demand for solar power products in overseas markets as influenced by the global economic downturn and its effects.

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

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

litigation.

Our failure to protect our intellectual property rights may undermine our competitive position, and litigation to protect our intellectual property rights or defend against third-party allegations of infringement may be costly.

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

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

As with other solar power product manufacturers, we are exposed to risks associated with product liability claims should the use of our solar power products results in injury. Since our products generate electricity, it is possible that users could be injured or killed by our products as a result of product malfunctions, defects, improper installation or other causes. We began commercial shipment of our PV modules in November 2004 and we cannot predict whether product liability claims will be brought against us in the future or the effect of any resulting negative publicity on our business. We have limited worldwide product liability insurance coverage for our products manufactured in China. Product liability claims successfully brought against us in excess of our coverage amount could result in monetary damages and require us to make significant payments.

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

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

Our management has concluded that our internal control over financial reporting is effective as of December 31, 2014. See Item 15. Controls and Procedures. If we fail to maintain effective internal control over financial reporting in the future, it could result in the loss of investor confidence in the reliability of our financial statements and negatively impact the trading price of our ADSs. We have incurred and anticipate that we will continue to incur considerable costs, management time and other resources in an effort to comply with Section 404 and other requirements of the Sarbanes-Oxley Act.

Our independent registered public accounting firm may be temporarily suspended from practicing before the SEC, if it is unable to continue to satisfy SEC investigation requests in the future. If a delay in completion of our audit process occurs as a result, we could be unable to timely file certain reports with the SEC, which may lead to the delisting of our stock.

We have substantially all of our operations in China. Certain of our independent registered public accounting firm's audit documentation related to their audit reports included in this annual report are located in China, and certain audit procedures are taken place within China's borders. The Public Company Accounting Oversight Board, or the PCAOB, is currently unable to conduct inspections in China or review audit documentation located within China without the approval of Chinese authorities.

On January 22, 2014, Judge Cameron Elliot, an SEC administrative law judge, issued an initial decision suspending the Chinese member firms of the Big Four accounting firms, including our independent registered public accounting firm's network, from, among other things, practicing before the SEC for six months. In February 2014, the initial decision was appealed. In February 2015, the Chinese member firms of the Big Four accounting firms reached a settlement with the SEC over the dispute in relation to access to such accounting firms' audit documents. As part of the settlement, each Chinese member firms of the Big Four accounting firms will pay US\$500,000 to the SEC while Chinese member firms of

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the Big Four accounting firms will not be suspended from practicing before the SEC unless it fails to comply with certain compliance and cooperation requirements from the SEC.

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Our independent registered public accounting firm currently relies on its Chinese member firm for assistance in completing the audit work associated with our operation in China. If the settlement terms are not adhered to, Chinese member firms of "Big Four" accounting firms may be suspended from practicing before the SEC which could in turn delay the timely filing of our financial statements with the SEC. In addition, it could be difficult for us to timely identify and engage another qualified independent auditor to replace our independent auditor. A delinquency in our filings with the SEC may result in the initiation of the delisting procedures, which could adversely harm our reputation and have other material adverse effects on our results of operation and financial condition.

Our independent registered public accounting firm's audit documentation related to their audit reports included in our annual report may include audit documentation located in China. PCAOB currently cannot inspect audit documentation located in China and, as such, you may be deprived of the benefits of such inspection.

Our independent registered public accounting firm issued an audit opinion on the financial statements included in our annual report filed with the SEC. As auditors of companies that are traded publicly in the United States and a firm registered with the PCAOB, our auditor is required by the laws of the United States to undergo regular inspections by the PCAOB. However, work papers located in China are not currently inspected by the PCAOB because the PCAOB is currently unable to conduct inspections without the approval of the Chinese authorities.

Inspections of certain other firms that the 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. However, the PCAOB is currently unable to inspect an auditor's audit work related to a company's operations in China and where such documentation of the audit work is located in China. As a result, our investors may be deprived of the benefits of PCAOB's oversight of our auditors through such inspections.

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

Fluctuations in exchange rates could adversely affect our business.

The value of the Renminbi against the U.S. dollar, Euro and other currencies is affected by, among other things, changes in China's political and economic conditions and China's foreign exchange policies. On July 21, 2005, the PRC government changed its decade-old policy of pegging the value of the Renminbi to the U.S. dollar. Under the new policy, the Renminbi was permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. This change in policy caused the Renminbi to appreciate approximately 21.5% against the U.S. dollar over the following three years. However, from July 2008 until June 2010, the Renminbi traded stably within a narrow range against the U.S. dollar. In June 2010, the People's Bank of China announced that the PRC government would reform the Renminbi exchange rate regime and increase the flexibility of the exchange rate. Between June 30, 2010 and December 31, 2013, the value of the Renminbi appreciated approximately 12.0% against the U.S. dollar, although in 2014, the value of the Renminbi depreciated approximately 2.5% against the U.S. dollar. From December 31, 2014 through April 17, 2015, the value of the Renminbi appreciated approximately 0.1% against the U.S. dollar. We cannot predict how government policy will impact the Renminbi exchange rate going forward or whether new policies will be adopted by the PRC government.

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Most of our sales are currently denominated in Renminbi, U.S. dollars, Euros, GBP and Japanese Yen, while a substantial portion of our costs and expenses is denominated in Renminbi, with the remainder in U.S. dollars. Fluctuations in exchange rates, particularly among the U.S. dollar, Renminbi, Euros, GBP and Japanese Yen, may affect our net profit margins and could result in fluctuations in foreign currency exchange and operating gains and losses. We had a foreign exchange loss of approximately \$21.9 million in 2014. We cannot predict the impact of future exchange rate fluctuations on our results of operations and may incur net foreign currency losses in the future. In addition, as we rely entirely on dividends paid to us by our operating subsidiaries, a significant portion of which are in China, any significant fluctuation of the Renminbi may have a material adverse effect on our revenues and financial condition, and the value of, and any dividends payable on, our ordinary shares.

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Starting from October 2008, we have entered into a series of foreign currency forward contracts with several commercial banks to hedge our exposure to foreign currency exchange risk. As of December 31, 2014, we had foreign currency forward contracts with a total contract value of approximately \$220.0 million. We do not use foreign currency forward contracts to hedge all of our foreign currency denominated commitments. As with all hedging instruments, there are risks associated with the use of foreign currency forward contracts. While the use of such foreign currency forward contracts provides us with protection from certain fluctuations in foreign currency exchange, we forgo the potential benefits that might result from favorable fluctuations in foreign currency exchange. Any default by the counterparties to these transactions could adversely affect our financial condition and results of operations. Furthermore, these financial hedging transactions may not provide adequate protection against future foreign currency exchange rate fluctuations and, consequently, such fluctuations could adversely affect our financial condition and results of operations. See Item 11. Quantitative and Qualitative Disclosures about Market Risk Foreign Exchange Risk.

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

Based on the market price of our ADSs, the value of our assets, and the composition of our income and assets, we do not believe we were a passive foreign investment company, or PFIC, for U.S. federal income tax purposes for our taxable year ended December 31, 2014 and do not expect to become a PFIC for the current taxable year ending December 31, 2015. However, the application of the PFIC rules is subject to uncertainty in several respects, and we cannot assure you the U.S. Internal Revenue Service will not take a contrary position. A non-U.S. corporation will be a PFIC for any taxable year if either (i) at least 75% of its gross income for such year is passive income or (ii) at least 50% of the value of its assets (based on an average of the quarterly values of the assets) during such year is attributable to assets that produce passive income or are held for the production of passive income.

A separate determination must be made after the close of each taxable year as to whether we were a PFIC for that year. Changes in the composition of our income and assets or the value of our assets may cause us to become a PFIC for the current year or any subsequent year. The determination of whether we are or will become a PFIC for any taxable year may depend, in part, upon the value of our goodwill and other intangibles not reflected on our balance sheet (which may be determined based upon the market value of the ADSs or ordinary shares from time to time, which may be volatile) and may also be affected by how, and how quickly, we spend our liquid assets and the cash raised in offerings. Among other matters, if our market capitalization is less than anticipated or subsequently declines, we may be or become a PFIC for the current or future taxable years. Further, while we believe our classification methodology and valuation approach is reasonable, it is possible that the IRS may challenge our classification or valuation of our goodwill and other intangibles, which may result in our company being or becoming classified as a PFIC for the current or one or more future taxable years.

If we are a PFIC for any taxable year during which a U.S. Holder (as defined in Item 10. Additional Information E. Taxation United States Federal Income Taxation) holds an ADS or an ordinary share, certain adverse U.S. federal income tax consequences could apply to such U.S. Holder. See Item 10. Additional Information E. Taxation United States Federal Income Taxation Passive Foreign Investment Company.

Risks Related to Doing Business in China

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

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

- the amount of government involvement;
- the level of development;

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- the growth rate;
- the control of foreign exchange; and
- the allocation of resources.

While the Chinese economy has grown significantly in the past 30 years, the growth has been uneven, both geographically and among various sectors of the economy. The PRC government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures benefit the overall Chinese economy, but may also have a negative effect on us. For example, our financial condition and results of operations may be adversely affected by government control over capital investments or changes in tax regulations that are applicable to us.

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

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

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

Solar power projects are highly regulated in China and we may fail to comply with laws and regulations regarding the development, construction and operation of solar power projects.

The development, construction and operation of solar power projects are highly regulated in China. Our operations must comply with various laws and regulations, including those relating to project approvals and filings, land use, planning and construction, environmental protection, fire control and electricity production and transmission. Failing to obtain or make the required approvals, permits, licenses, filings or to comply with the conditions associated therewith could result in fines, sanctions, suspensions, revocations or prevent us from renewing approvals, permits or licenses, or even subject us to criminal penalties, any of which could have a material adverse effect on our business, financial condition and results of operations. In addition, any new government regulations pertaining to solar power projects may result in significant additional expenses to the development, construction and operation of our solar power projects located in China and, as a result, could cause a significant reduction in demand for our solar power projects and services. We cannot assure you that we will be able to promptly and adequately adjust to changes in laws and regulations, which may materially and adversely affect our business, financial condition and results of operations.

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

We conduct substantially all of our operations through Trina China and TST. Our ability to make distributions or other payments to our shareholders depends on payments from Trina China and TST, whose ability to make such payments is subject to PRC regulations. Regulations in the PRC currently permit payment of dividends only out of accumulated profits as determined in accordance with accounting standards and regulations in China. According to the relevant PRC laws and regulations applicable to Trina China and TST and their respective articles of association, Trina China and TST are required to set aside at least 10% of its after-tax profit based on PRC accounting standards each year to its general reserves until the accumulative amount of these reserves reaches 50% of its registered capital. These reserves are not distributable as cash dividends. As of December 31, 2014, these general reserves amounted to \$49.7 million, accounting for 8.2% of the registered capital of Trina China and TST. In addition, under the PRC Enterprise Income Tax Law and its Implementation Regulations, or the EIT Law, which became effective January 1, 2008, dividends from Trina China to us are subject to a 10% withholding tax to the extent that we are considered a non-resident enterprise under the EIT Law. See [Item 4. Information on the Company B. Business Overview Regulation Tax](#). The expiration or reduction of tax incentives by the PRC government may have a material adverse effect on our results of operations and [Item 4. Information on the Company B. Business Overview Regulation Tax](#). Furthermore, if Trina China incurs debt on its own behalf in the future, the instruments governing the debt may restrict its ability to pay dividends or make other distributions to us.

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

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

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

SAFE regulations may limit our ability to finance our PRC subsidiaries effectively and affect the value of your investment and may make it more difficult for us to pursue growth through acquisition.

If we finance our PRC subsidiaries through additional capital contributions, the MOFCOM in China or its local counterpart must approve the amount of these capital contributions. On August 29, 2008, SAFE promulgated Circular 142, a notice regulating the conversion by a foreign-invested company of foreign currency into Renminbi by restricting how the converted Renminbi may be used. The notice requires that Renminbi converted from the foreign currency-denominated capital of a foreign-invested company may only be used for purposes within the business scope approved by the applicable governmental authority and may not be used for equity investments in the PRC unless otherwise provided by laws and regulations. In addition, SAFE strengthened its oversight of the flow and use of Renminbi funds converted from the foreign currency denominated capital of a foreign-invested company. The use of such Renminbi may not be changed without approval from SAFE, and may not be used to repay Renminbi loans if the proceeds of such loans have not yet been used for purposes within the company's approved business scope. Furthermore, on November 9, 2010, SAFE promulgated a notice on relevant issues concerning strengthening the administration of foreign exchange business, which requires the authenticity of settlement of net proceeds from an offshore offering to be closely examined and the net proceeds to be settled in the manner described in the offering documents. In order to further reform the foreign exchange administration system, SAFE issued the Circular on Reform of Administration Model of the Settlement of Foreign Currency Capital of Foreign-Invested Enterprises on March 30, 2015, or Circular 19, which will take effect from June 1, 2015 and will replace the SAFE Circular 142. Circular 19 allows foreign invested enterprises to settle their foreign exchange capital on a discretionary basis according to the actual needs of their business operations and provides procedures by which a foreign-invested company may convert and use equity investments made in foreign currencies. Circular 19 also reiterates, however, the principle that Renminbi converted from the foreign currency-denominated capital of a foreign-invested company may not be used, either directly or indirectly, for purposes beyond its business scope. Since Circular 19 was just promulgated, there are uncertainties as to how it will be interpreted and implemented in practice.

Violations of Circular 142 may result in severe penalties, including substantial fines as set forth in the Foreign Exchange Administration Regulations. We cannot assure you that we will be able to complete the necessary government registrations or obtain the necessary government approvals on a timely basis, if at all, with respect to future loans by us to our PRC subsidiaries or with respect to future capital contributions by

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us to our PRC subsidiaries. If we fail to complete such registrations or obtain such approvals, our ability to contribute additional capital to fund our PRC operations may be negatively affected, which could materially adversely affect our liquidity and our ability to fund and expand our business.

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The expiration or reduction of tax incentives by the PRC government may have a material adverse effect on our results of operations.

The EIT Law imposes a uniform tax rate of 25% on all PRC enterprises, including foreign-invested enterprises, and eliminates or modifies most of the tax exemptions, reductions and preferential treatments available under the previous tax laws and regulations. Under the EIT Law, certain enterprises may benefit from a preferential tax rate of 15% if they qualify as high and new technology enterprises strongly supported by the State, subject to certain general factors and conditions described therein. In September 2008, Trina China obtained the High and New Technology Enterprise Certificate with a valid term of three years starting from 2008. In 2011, Trina China renewed its High and New Technology Enterprise Certificate, effective from 2011 to 2013, entitling it to a preferential income tax rate of 15% from 2008 through 2013. Also, in 2011, TST obtained the High and New Technology Enterprise Certificate, effective from 2011 to 2013 and is entitled to a preferential income tax rate of 15%. In 2014, Trina China and TST renewed their High and New Technology Enterprise Certificates, effective from 2014 to 2016, which entitle both of them to a preferential income tax rate of 15% from 2014 through 2016. If either Trina China or TST fails to maintain the high and new technology enterprise qualification, their applicable rate of enterprise income tax, or EIT, may increase to up to 25%, which could have a material adverse effect on our results of operations. We cannot assure you that we will be able to maintain our current effective tax rate in the future. Any discontinuation of preferential tax treatment or any increase of the EIT rate applicable to Trina China could have a material adverse effect on our financial condition and results of operations.

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

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

Under the EIT Law, an enterprise established outside the PRC with its de facto management body within the PRC is considered a resident enterprise and will be subject to the enterprise income tax at the rate of 25% on its worldwide income. The de facto management body is defined as the organizational body that effectively exercises overall management and control over production and business operations, human resources, finance and accounting, and properties of the enterprise. The State Administration of Taxation, or SAT, issued the Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies, or SAT Circular 82, on April 22, 2009. SAT Circular 82 provides certain criteria for determining whether the de facto management body of an offshore-incorporated enterprise controlled by PRC enterprises is located in China. On July 27, 2011, the SAT issued Administrative Measures of Enterprise Income Tax of Chinese-controlled Offshore Incorporated Resident Enterprises (Trial), or Bulletin 45, which became effective on September 1, 2011, to provide further guidance on the implementation of SAT Circular 82. Bulletin 45 further prescribes the rules concerning the recognition, administration and taxation of an enterprise incorporated offshore and controlled by a PRC enterprise or PRC enterprise group. Bulletin 45 provides two ways for determining whether a foreign enterprise controlled by a PRC enterprise or a PRC enterprise group should be treated as a resident enterprise. First, the offshore enterprise may decide on its own whether its de facto management body is located in China based on the criteria set forth in Circular 82, and, if it makes such determination, it must apply to the competent tax bureau to be treated as a resident enterprise. Second, the tax authority may, after investigating, determine that the offshore enterprise is a resident enterprise. Although SAT Circular 82 only applies to offshore enterprises controlled by PRC enterprises and not those controlled by PRC or foreign individuals or foreign enterprises, the criteria set forth therein may reflect the SAT's general position on how the de facto management body test should be applied in determining the tax resident status of offshore enterprises, regardless of whether they are controlled by PRC or foreign enterprises or individuals. Considering that most of our management is currently located in the PRC, we may be considered a resident enterprise and may therefore be subject to the EIT at 25% on our global income other than dividends from our PRC subsidiaries, which could significantly

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increase our tax burden and materially adversely affect our cash flow and profitability. Notwithstanding the foregoing provision, the EIT Law also provides that, if a resident enterprise directly invests in another resident enterprise, the dividends received by the investing resident enterprise from the invested enterprise are exempted from income tax, subject to certain conditions. Therefore, if Trina is classified as a resident enterprise, the dividends received from its PRC subsidiary may be exempted from income tax. However, it remains unclear how the PRC tax authorities will interpret the PRC tax resident treatment of an offshore company, like Trina, having ownership interest in a PRC enterprise.

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

Under the PRC Individual Income Tax Law, or IITL, if we are treated as a PRC resident enterprise, it is possible that non-resident individual investors of our shares or ADSs would be subject to PRC individual income tax at a rate of 20% on dividends paid to such investors and any capital gains realized from the transfer of our ordinary shares, ADSs or both, if such dividends or capital gains are deemed income derived from sources within the PRC, except in the case of individuals that qualify for a lower rate under a tax treaty. Under the PRC-U.S. tax treaty, a 10% preferential rate of withholding tax will apply to dividends provided that the recipients are U.S. tax residents that are eligible for the benefits of the PRC-U.S. tax treaty. A non-resident individual is an individual who has no domicile in the PRC and does not stay within the PRC or has stayed within the PRC for less than one year. Pursuant to the IITL and its implementation rules, for purposes of the PRC capital gains tax, the taxable income will be based on the total income obtained from the transfer of our ordinary shares or ADSs minus all the costs and expenses that are permitted under PRC tax laws to be deducted from the income.

We face uncertainty with respect to indirect transfers of equity interests in PRC resident enterprises by their non-PRC holding companies.

The State Administration of Taxation has promulgated several rules and notices to tighten the scrutiny over acquisition transactions in recent years, including the Notice on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-PRC Resident Enterprises in 2009 with retroactive effect from January 1, 2008, or SAT Circular 698, the Notice on Several Issues Regarding the Income Tax of Non-PRC Resident Enterprises in 2011, or SAT Circular 24, and the Notice on Certain Corporate Income Tax Matters on Indirect Transfer of Properties by Non-PRC Resident Enterprises in February 2015, or SAT Circular 7. Pursuant to these rules and notices, if a non-PRC resident enterprise transfers its equity interests in a PRC tax resident enterprise, this non-PRC resident transferor must report to the tax authorities at the place where the PRC tax resident enterprise is located and will be subject to a PRC withholding tax of up to 10%. In addition, if a non-PRC resident enterprise indirectly transfers so-called PRC Taxable Properties, referring to properties of an establishment or a place of business in China, real estate properties in China and equity investments in a PRC tax resident enterprise, by disposition of the equity interests in an overseas non-public holding company without a reasonable commercial purpose and resulting in the avoidance of PRC EIT, the transfer will be re-characterized as a direct transfer of the PRC Taxable Properties and gains derived from the transfer may be subject to a PRC withholding tax of up to 10%. SAT Circular 7 has listed several factors to be taken into consideration by the tax authorities in determining if an indirect transfer has a reasonable commercial purpose. However, despite these factors, an indirect transfer satisfying all the following criteria will be deemed to lack reasonable commercial purpose and be taxable under the PRC laws: (i) 75% or more of the equity value of the intermediary enterprise being transferred is derived directly or indirectly from PRC Taxable Properties; (ii) at any time during the one year period before the indirect transfer, 90% or more of the asset value of the intermediary enterprise (excluding cash) is comprised directly or indirectly of investments in the PRC, or 90% or more of its income is derived directly or indirectly from the PRC; (iii) the functions performed and risks assumed by the intermediary enterprise and any of its subsidiaries that directly or indirectly hold the PRC Taxable Properties are limited and are insufficient to prove their economic substance; and (iv) the foreign tax payable on the gain derived from the indirect transfer of the PRC Taxable Properties is lower than the potential Chinese tax on the direct transfer of those assets. Nevertheless, the indirect transfers falling into the scope of the safe harbor under SAT Circular 7 may not be subject to PRC tax. The safe harbor includes qualified group restructurings, public market trades and exemptions under tax treaties.

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Under SAT Circular 7 and other PRC tax regulations, in case of an indirect transfer, entities or individuals obligated to pay the transfer price to the transferor must act as withholding agents and are required to withhold the PRC tax from the transfer price. If they fail to do so, the seller is required to report and pay the PRC tax to the PRC tax authorities. If neither party complies with the tax payment or withholding obligations under SAT Circular 7, the tax authority may impose penalties such as late payment interest on the seller. In addition, the tax authority may also hold the withholding agents liable and impose a penalty of 50% to 300% of the unpaid tax on them. The penalty imposed on the purchasers may be reduced or waived if the withholding agents have submitted the relevant materials in connection with the indirect transfer to the PRC tax authorities in accordance with SAT Circular 7.

However, as these rules and notices are relatively new, there is uncertainty as to their implementation and future development. As a result, we may become at risk of being taxed under these rules and notices and we may be required to expend valuable resources to comply with or to establish that we should not be taxed under these rules and notices, which may materially adversely affect our financial condition and results of operations or those non-PRC resident investors' investments in us.

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

On August 8, 2006, six PRC regulatory agencies, including the China Securities Regulatory Commission, or the CSRC, promulgated the Regulation on Mergers and Acquisitions of Domestic Companies by Foreign Investors, or the M&A Rules, which became effective on September 8, 2006 and was amended on June 22, 2009. The M&A Rules, among other things, require offshore special purpose vehicles, formed for overseas listing purposes through acquisitions of PRC domestic companies and controlled by PRC enterprises or individuals, to obtain the approval of the CSRC prior to publicly listing their securities on an overseas stock exchange. On September 21, 2006, the CSRC published a notice specifying the documents and materials that are required to be submitted for obtaining CSRC approval. Based on the advice we received from Fangda Partners, our PRC counsel, we did not seek the CSRC approval in connection with our initial public offering as we believed that this regulation did not apply to us and that CSRC approval was not required because (1) Trina was not a special purpose vehicle formed for the purpose of acquiring a PRC domestic company because Trina China was a foreign-invested enterprise before it was acquired by Trina, and, accordingly, Trina China did not fall within the definition of a PRC domestic company as set forth in the new regulation; and (2) such acquisition was completed before the new regulation became effective.

Uncertainty still exists as to how the M&A Rules will be interpreted and implemented, and the opinion of our PRC counsel is subject to any new laws, regulations, rules and their detailed implementations in the future in any form relating to the M&A Rules. If the CSRC or other PRC regulatory body subsequently determines that the CSRC's approval was required for our initial public offering, we may face sanctions by the CSRC or other PRC regulatory agencies. In that case, these regulatory agencies may impose fines and penalties on our operations in the PRC, limit our operating privileges in the PRC, restrict or prohibit payment or remittance of dividends by Trina China, or take other actions that could have a material adverse effect on our business, financial condition, results of operations, reputation and prospects, as well as the trading price of our ADSs.

The regulations also established additional procedures and requirements that could make merger and acquisition activities by foreign investors more time-consuming and complex, including requirements in some instances that the MOFCOM be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise. As we may grow our business in part by acquiring complementary businesses in the future, complying with the requirements of the new regulations to complete such transactions could be time-consuming, and any required approval processes, including obtaining approval from the MOFCOM, may delay or inhibit our ability to complete such transactions. Any such delay or inability to obtain applicable approvals to complete our potential future acquisitions could affect our ability to expand our business or maintain our market share.

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We may be subject to Regulations on National Security Review of Merger and Acquisition by Foreign Investors, which could jeopardize future transactions.

On February 3, 2011, the State Council promulgated Circular No. 6, a notice on the establishment of the security review system for mergers and acquisitions of domestic enterprises by foreign investors, which became effective on March 3, 2011. To implement Circular No. 6, the MOFCOM promulgated the MOFCOM Security Review Rules on August 25, 2011 which became effective on September 1, 2011. According to Circular No. 6 and the MOFCOM Security Review Rules, a national security review is required for certain mergers and acquisitions by foreign investors of enterprises relating to national defense and certain mergers and acquisitions by which foreign investors may acquire de facto control of domestic enterprises raising national security concerns. When deciding whether a specific merger or acquisition of a domestic enterprise by foreign investors is subject to the national security review, the MOFCOM will review the substance and actual impact of the transaction and the foreign investors are prohibited from bypassing the national security review requirement by structuring transactions through proxies, trusts, indirect investments, leases, loans, control through contractual arrangements or offshore transactions. In addition, if a merger or acquisition by foreign investors which was not submitted for national security review, or was determined to have no impact on national security after such review, but thereafter, due to changed elements, including modification of the merger, change of business activities or acquisition transaction or amendment of the relevant agreements or documents and other changes, involves an enterprise relating to national defense or a change of de facto control of a domestic enterprise raising national security concerns such that it becomes subject to national security review, the foreign investor to such merger or acquisition will be required to file an application for national security review with the MOFCOM. Currently, there are no public provisions or official interpretations specifically providing that our current businesses fall within the scope of national security review and there is no requirement that foreign investors to those merger and acquisition transactions completed prior to the promulgation of the Circular No. 6 take initiatives to submit such transactions to MOFCOM for national security review. However, as the MOFCOM Security Review Rules and the Circular No. 6 are relatively new and there is no clear statutory interpretation on their implementation, there is no assurance that the relevant PRC regulatory authorities will have the same view as us when applying them. Moreover, there exists the possibility that our future merger and acquisition transactions will be subject to the national security review under the MOFCOM Security Review Rules and the Circular No. 6.

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

In October 2005, SAFE promulgated a regulation known as SAFE Circular 75 that states that if PRC residents use assets or equity interests in their PRC entities as capital contributions to establish offshore companies or inject assets or equity interests of their PRC entities into offshore companies to raise capital overseas, they must register with local SAFE branches with respect to their overseas investments in offshore companies.

On July 4, 2014, SAFE promulgated the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Offshore Investment and Financing and Roundtrip Investment through Special Purpose Vehicles, or SAFE Circular 37, which replaced the SAFE Circular 75. SAFE Circular 37 requires PRC residents to register with local branches of SAFE in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with such PRC residents' legally owned assets or equity interests in domestic enterprises or offshore assets or interests, referred to in SAFE Circular 37 as a special purpose vehicle. The term control under SAFE Circular 37 is broadly defined as the operation rights, beneficiary rights or decision-making rights acquired by the PRC residents in the offshore special purpose vehicles or PRC companies by such means as acquisition, trust, proxy, voting rights, repurchase, convertible bonds or other arrangements. SAFE Circular 37 further requires amendment to the registration in the event of any significant changes with respect to the special purpose vehicle, such as increase or decrease of capital contributed by PRC individuals, share transfer or exchange, merger, division or other material event. In the event that a PRC shareholder holding interests in a special purpose vehicle fails to fulfill the required SAFE registration, the PRC subsidiaries of that special purpose vehicle may be prohibited from distributing profits to the offshore parent and from carrying out subsequent cross-border foreign exchange activities, and the special purpose vehicle may be restricted in its ability to contribute

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additional capital into its PRC subsidiary. Moreover, failure to comply with the various SAFE registration requirements described above could result in liability under PRC law for evasion of foreign exchange controls.

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While we believe our shareholders who have confirmed to us that they are PRC residents have taken actions available to them to comply with SAFE Circular 75 and they are still in the process of updating their SAFE registration to reflect the recent changes to our group structure, we have urged relevant shareholders and beneficial owners to make the necessary applications, filings and amendments as required under SAFE Circular 37 and other related rules. As SAFE Circular 37 was recently promulgated, there are substantial uncertainties on how this new rule will be implemented and interpreted. We cannot assure you that our current shareholders and/or beneficial owners or their shareholders or beneficial owners can successfully comply with registration requirements under SAFE Circular 37 and subsequent implementation rules in a timely fashion or at all. Any future failure by any of our shareholders who is a PRC resident, or controlled by a PRC resident, to comply with relevant requirements under these regulation could subject our company to fines or sanctions imposed by the PRC government, including restrictions on our PRC subsidiaries' ability to pay dividends or make distributions to us and our ability to increase our investment in or to provide loans to such PRC subsidiaries.

Furthermore, it is unclear how these regulations, and any future regulation concerning offshore or cross-border transactions, will be interpreted, amended and implemented by the relevant government authorities. We cannot predict how these regulations will affect our business operations or future strategy. For example, we may be subject to a 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 financial condition and results of operations.

On December 25, 2006, the People's Bank of China promulgated the Measures for Administration of Individual Foreign Exchange. On January 5, 2007, the SAFE promulgated Implementation Rules for those measures and on February 15, 2012, the SAFE promulgated the notice on issuers concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Listed Company which terminated the Operating Procedures on Administration of Foreign Exchange regarding PRC individuals' Participation in Employee Share Ownership Plans and Employee Stock Option Plans of Overseas Listed Company issued by SAFE on March 28, 2007 (collectively, referred to as the Individual Foreign Exchange Rules). According to the Individual Foreign Exchange Rules, PRC citizens who are granted shares or share options by a company listed on an overseas stock market according to its employee share option or share incentive plan are required to register with the SAFE or its local counterparts by following certain procedures. We and our employees who are PRC citizens and individual beneficiary owners, or have been granted restricted shares or share options, are subject to the Individual Foreign Exchange Rules and its relevant implementation regulations. The failure of our PRC individual beneficiary owners and the restricted holders to complete their SAFE registrations pursuant to the SAFE Jiangsu Branch's requirement or the Individual Foreign Exchange Rules may subject these PRC citizens to fines and legal sanctions and may also limit our ability to contribute additional capital into our PRC subsidiaries, limit our PRC subsidiaries' ability to distribute dividends to us or otherwise materially adversely affect our business.

In addition, the Ministry of Finance and the SAT have issued circulars concerning individual income taxes relating to employee share options. Under these circulars, our employees working in the PRC who exercise share options will be subject to PRC individual income tax. The tax base for the employment income would be the fair market value of the received shares at the time of vesting minus the corresponding consideration paid by the employees for the shares. Our PRC subsidiaries have obligations to file documents related to employee share options with relevant tax authorities and to withhold individual income taxes of those employees who exercise their share options. If our employees fail to pay or we fail to withhold their income taxes according to applicable PRC laws and regulations, we may face fines ranging from 50% to 300% of the overdue taxes.

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

On June 29, 2007, the PRC government promulgated the Labor Contract Law of the PRC, or the PRC Labor Contract Law, which became effective on January 1, 2008. On September 3, 2008, the PRC government promulgated the Implementing Rules on PRC Labor Contract Law, or the Implementing Rules. The PRC Labor Contract Law and the Implementing Rules impose requirements concerning contracts entered into

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between an employer and its employees and establish time limits for probationary periods and for how long an employee can be placed in fixed-term labor contracts. According to the PRC Labor Contract Law and the Implementing Rules, employers must pay their employees wages equal to or above the local minimum wage standards, establish labor safety and workplace sanitation systems, comply with national labor rules and standards and provide employees with appropriate training regarding workplace safety. Furthermore, if we enforce the non-compete provision in a labor contract, we have to compensate the employee on a monthly basis during the term of the non-compete period after the termination or expiration of the labor contract, which may cause additional expenses to us.

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In addition, the PRC regulatory authorities have enacted a variety of laws and regulations regarding social insurance and housing funds. Pursuant to these laws and regulations, PRC companies have to make contributions to the relevant local social insurance and housing funds regulatory authorities for their employees. Due to the limited period of effectiveness of the PRC Labor Contract Law and the Implementing Rules and the lack of clarity with respect to their implementation and potential penalties and fines, it is uncertain how they will impact our current employment policies and practices. Therefore, we cannot assure you that our employment policies and practices do not, or will not, violate these laws and regulations and that we will not be subject to related penalties, fines or legal fees. If we are subject to large penalties or fees related to these laws and regulations, our business, financial condition and results of operations may be materially and adversely affected.

We face risks related to health epidemics and other outbreaks.

Our business could be adversely affected by the effects of swine flu, avian flu, SARS or other epidemics or outbreaks. There have been reports on the occurrences of avian flu in various parts of China, including a few confirmed human cases and deaths. In 2009, an outbreak of swine flu occurred in Mexico and the United States a