Universal Solar Technology, Inc.
Form 10-K/A
January 31, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K/A
Amendment No. 2

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

For the fiscal year ended December 31, 2009

Commission file number: 333-150768

UNIVERSAL SOLAR TECHNOLOGY, INC.
(Name of Small Business Issuer in its charter)

Nevada	26-0768064
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

No. 1 Pingbei Road 2,
Nanping Science & Technology Industrial Park
Zhuhai City, Guangdong Province
The People's Republic of China 519060

Issuer's telephone number: 86-756 8682610

Securities registered under Section 12(b) of the Exchange Act: None

Securities registered under Section 12(g) of the Exchange Act: None

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

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yeso Nox

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

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

Large accelerated filer o	Accelerated filer o	Non-accelerated filer o	Smaller reporting company x

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No x

As of June 30, 2009, the registrant's common stock was not trading on active markets and therefore had no readily determinable market value.

The number of shares outstanding of the registrant's Common Stock on March 18, 2010: 22,599,974 shares.

EXPLANATORY NOTE

This Amendment No. 2 to Form 10-K on Form 10-K/A (the “Second Amended Filing”) amends the Annual Report on Form 10-K for the fiscal year ended December 31, 2009, originally filed on March 31, 2010 (the “Original Filing”) and amended by Amendment No. 1 to Form 10-K on From 10-K/A filed on December 30, 2010 (the “First Amended Filing”), of Universal Solar Technology, Inc., a Nevada corporation (“UNSS” or the “Company”). The purpose of this amendment is to revise (1) Part II, Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations to provide more details in the disclosures under the “Liquidity and Capital Resources” section, and (2) Part II, Item 9A(T). Controls and Procedures to identify additional weaknesses in the Company’s internal control over financial reporting.

TABLE OF CONTENTS

PART I

SPECIAL NOTE REGARDING FORWARD—LOOKING STATEMENTS

On one or more occasions, we may make forward-looking statements in this Annual Report on Form 10-K regarding our assumptions, projections, expectations, targets, intentions or beliefs about future events. Words or phrases such as “anticipates,” “may,” “will,” “should,” “believes,” “estimates,” “expects,” “intends,” “plans,” “predicts,” “projects,” “targets,” “will continue” or similar expressions identify forward-looking statements. These forward-looking statements are only our predictions and involve numerous assumptions, risks and uncertainties, including, but not limited to those listed below and those business risks and factors described elsewhere in this report and our other Securities and Exchange Commission filings.

We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. However, your attention is directed to any further disclosures made on related subjects in our subsequent annual and periodic reports filed with the Securities and Exchange Commission on Forms 10-K, 10-Q and 8-K.

Unless the context requires otherwise, references to “we,” “us,” “our,” the “Company” and “the Company” refer specifically to Universal Solar Technology, Inc.

ITEM 1. BUSINESS

ORGANIZATIONAL HISTORY

Universal Solar Technology, Inc. was incorporated in the State of Nevada on July 24, 2007. It operates through its wholly owned subsidiary, Kuong U Science & Technology (Group) Ltd. (“Kuong U”), a company incorporated in Macau, PRC on May 10, 2007. A subsidiary, Nanyang Universal Solar Technology Co., Ltd. (“Nanyang UST”), a wholly foreign owned enterprise (“WFOE”) was registered on September 8, 2008 under the wholly foreign-owned enterprises laws of the People’s Republic of China (“PRC”) to manufacture our products.

OVERVIEW OF OUR BUSINESS

We provide silicon ingots, wafers, high efficiency solar photovoltaic (“PV”) cells modules and other PV application products in the EU, North America, Asia and Africa. We believe that demand for our proposed solar products will develop due to growing energy needs, escalating energy prices, and increasing environmental concerns.

Our company was formed in July 2007, and to date has only 32 months of formation, planning and analysis. On October 7, 2008, we received type test certificate from Arizona State University Photovoltaic Testing Laboratory that our Photovoltaic Modules, GYSP-175, satisfied the requirements of International Electrotechnical Commission (“IEC”) 61215 and 61730 standards. IEC is a leading global organization that prepares and publishes international standards for all electrical, electronic and related technologies and its standards are adopted as national standards by its member countries. Meeting the IEC standards removes technical barriers for our products and facilitates trade in the member countries without going through tests to meet additional standards required by specific local standards.

This product also passed EU standard (“VDE”) which is a prerequisite for selling our products in the EU countries. Since meeting such standards, we have received purchase orders for such product and are currently using a third-party manufacturer to produce the product. VDE Testing and Certification Institute or VDE is a neutral and independent body which ensures the safety of electrotechnical products, systems and installations. The VDE certification are registered and protected in more than 30 countries. Manufacturers in over 50 countries worldwide affix the VDE certification to their products. In many countries, the VDE certification is a standard requirement for imports. In some cases, it is even in greater demand than locally approved certifications.

1

Strategy

As both global energy demand and concern about air quality intensifies, our strategy is to leverage our people, technological experience and relationships to develop and provide innovative solar products to ensure a sustainable world future. We intend to supply our customers with high efficiency and aesthetically pleasing PV modules, other PV application products and related solutions. We believe that aesthetics have been a barrier to a wider adoption of solar cell and solar module products and systems among commercial and residential consumers. We intend to provide innovative, modular, and flexible solar products and systems that can be attractively integrated into building structures and a wide variety of natural and urban environments.

With growing global demand for solar power systems and solutions, we plan to scale our product portfolio and production capacity to meet the demands of an expanding customer pipeline via infrastructure development, acquisitions, and continued joint-ventures and strategic outsourcing.

Founders of Universal Solar and Kuong U were previously engaged in developing PV and PV applications business through the solar energy department at Zhuhai Yuemao Laser Facility Engineering Co., Ltd. (“Yuemao Laser”). Yuemao Laser’s main products are laser scribing, cutting, welding, grooving, and marking machines. Yuemao Laser's parent company is Yuemao Technology, specializing in steel trade, laser facility, water purifying facility and real estate investment. Yuemao Technology’s shareholders are our Chairman, Mr. Wensheng Chen with 50% ownership, our other director, Ms. Hui Chen 25% ownership, and our President, Ms. Ling Chen 25% ownership. Hui Chen and Ling Chen are daughters of Wenshen Chen.

We formed a subsidiary, Nanyang Universal Solar Technology Co., Ltd. (“Nanyang UST”), a wholly foreign owned enterprise (“WFOE”) registered under the wholly foreign-owned enterprises laws of the People's Republic of China ("PRC”) to manufacture our products. We hope having our manufacturing facilities near the silicon mine will help access the silicon raw material at competitive costs.

After the approval of the WFOE registration of Nanyang UST, we have begun construction of our manufacturing facilities. We estimate the investment of setting up the total manufacturing facilities will be approximately $20 million. We are setting up manufacturing facilities in Nanyang City, Henan Province in China. We plan to manufacture five types of products: silicon ingots, solar wafers, solar cells, high efficiency solar PV modules and solar lighting systems. The plant area covers 10,000 square meters and will include two factories, one office building, one dormitory and one canteen and is expected to be completed for use around the middle of 2010. Manufacturing is expected to start in shortly after the completion of the construction of the facilities. As of December 31, 2009, 10 monocrystalline silicon growers, two monocrystalline wire saws, two solar module production lines and supporting facilities have been delivered to Nanyang. The annual capacities of the current equipments are expected to be 16.6 MW silicon ingots, 7.4 MW solar wafers and 20 MW solar modules. In 2011, we expect to expand our total annual production capacities to 50 MW silicon ingots, 37 MW silicon wafers and 30 MW solar modules with 30 monocyrstalline silicon growers, 10 monocrystalline wire saws and 3 solar module production lines.

Before we setup our new manufacturing facilities mentioned above we will subcontract PV modules orders and solar lighting system orders to a related party, the solar department at Yuemao Laser. Currently our anticipated sales of PV modules have passed EU standard and can be sold in Asia and Europe. Our solar lighting systems do not require industry standard approval if sold to regions in Africa and Asia.

We are in the process of developing relationships with a number of original equipment manufacturers (OEMs) to further expand our product portfolio. These OEMs have the potential to provide us with a wide array of complementary products branded and designed according to the Company’s specifications.

We are developing several sales channels, including direct sales, as well as via industry and country specific manufacturer sales representatives and international strategic partnerships.

In addition, we are in the process of developing a strong communications campaign to build awareness among customers via speaking engagements and trade events. In 2009 we attended InterSolar in Munich, Germany and we plan to continue to attend similar solar PV exhibitions and conferences in both Germany and USA.

Our management team is committed to quality design, production, research, and innovation. We believe that this focus will continue to help us grow and develop a strong and lasting enterprise. We are committed to improving the global environment and the health and safety of our employees, customers and communities. We are working to integrate our environmental mission into the overall life cycle of our products - from raw material sourcing to end of life reclamation and recycling.

OUR MARKET

As worldwide demand for electricity continues to increase, the electric power industry is facing several challenges:

- Fossil fuel supply constraints: Limited supply and escalating consumption of coal, oil, and natural gas continue to drive up wholesale electricity prices, resulting in higher electricity costs for consumers.

- Infrastructure constraints: In many parts of the world, electricity demand exceeds the capacity of existing electricity generation, transmission and distribution infrastructure.

- Desire for energy security: As political and economic instability in key oil and natural gas producing regions have increased, governments are increasingly focusing on developing reliable and secure energy sources.

- Environmental concerns: Long-term use of fossil fuels is associated with a range of environmental issues including global warming, air pollution and water pollution, the increased prevalence of which is driving increased environmental awareness.

Electricity Generation

The electric power industry is one of the world's largest industrial segments, with annual revenue of approximately $1.06 trillion in 2004, according to Datamonitor. According to the International Energy Outlook 2009, net electricity generation worldwide totals 31.8 trillion kilo watt hours in 2030 in the reference case, 77 percent higher than the 2006 total of 18.0 trillion kilo watt hours. The strongest growth in electricity generation is projected for the non-OECD countries. Non-OECD electricity generation increases by 3.5 percent per year in the reference case, as rising standards of living increase demand for home appliances and the expansion of commercial services, including hospitals, office buildings, and shopping malls. In the OECD nations, where infrastructures are well established and population growth is relatively slow, much slower growth in generation is expected, averaging 1.2 percent per year from 2006 to 2030. (http://www.eia.doe.gov/oiaf/ieo/world.html).

Amongst the mix of primary fuels used to generate electricity worldwide, coal has always been the most widely used fuel due to its abundance and cheap cost. Though cheap, coal is a great contributor to pollution and greenhouse gas (GHG) emissions. As global warming is worsening year after year, countries world-wide are seeking ways to mitigate GHG emissions.

China unfortunately has been experiencing drastic environmental degradations in recent years due to its rapid increase in electricity usage generated from coal. This is causing major health problems and side effects to its residents and even residents in some of its neighboring countries. Furthermore, the existing fossil fuel based infrastructure for the generation, transmission and distribution of electricity, is inadequate to meet growing demand and is also extremely capital intensive. Using renewable resources to generate electricity is likely to be a key contributor in solving the world's energy crisis. Hence, China and other countries have been actively engaging in the investment and usage of renewable natural resources to generate electricity.

Renewable Resource Market

Renewable resources include solar, biomass and waste, nuclear, wind, hydraulics, and geothermal generations. Compared to fossil fuel (oil), renewable resources are abundant in availability with the appropriate technology. In 2005, 58% of the world renewable energy came from large hydro machinery (such as dams), 17% from Biomass heat, 4.6% from wind, and almost 8% from solar and PV. Global renewable energy capacity grew at rates of 15–30 percent annually for many technologies during the five-year period 2002–2006, including wind power, solar hot water, geothermal heating, and off-grid solar PV. The growth of grid-connected solar PV eclipsed all of these, with a 60 percent annual average growth rate for the period. Biofuels also grew rapidly during the period, at a 40 percent annual average for biodiesel and 15 percent for ethanol. (http://www.ren21.net/pdf/RE2007_Global_Status_Report.pdf, page 10).

While currently renewable energy sources only supply a modest fraction of current energy use, there is great potential for these technologies to rapidly expand in the future and replace the world's dependency of fossil fuels. Renewable energy technologies encompass a broad, diverse array of technologies, and the current status of these different technologies varies considerably. Some technologies are already mature and economically competitive (e.g. geothermal and hydropower), other technologies need additional development steps to become competitive without subsidies.

Governments worldwide understand the long term benefits of using renewable resources and are prioritizing the need to implement these green technologies. The Kyoto Protocol is a good example of a global effort to mitigate GHGs. In February 2005, China enacted the Renewable Energy Law that provides certain financial incentives for the development of renewable energy projects.

Solar Power Industry

Solar power, or solar energy, is a source of energy that uses radiation emitted by the Sun. It is a renewable energy source that has been used in many traditional technologies for centuries. Solar power is also in widespread use where other power supplies are absent, such as in remote locations and in space. In recent years, solar energy has been used greatly in the generation of electricity. Solar Market grew by 30% over in the last 18 years. In Year 2006, the global market for PV energy was 2 GW, grew by 41% compared to the previous year. Market is projected to grow from $15.6 Billion in 2006 to $69.3 Billion by 2015. (http://www.saptashvasolar.com/market_opportunity.html).

We believe higher demand for solar energy, furthered by concerns about global warming, will drive increases in the annual revenues of the global solar equipment industry. The interest manifested by many electricity customers in solar cells as a "green" alternative to fossil fuels is also likely to spur increases in production of high-purity silicon required for the cells, according to the report by Photon Consulting, a German research group.

“On-grid” & “Off-grid” Applications

Solar power systems are used for a variety of residential, commercial and industrial applications generally described as either “on-grid” or “off-grid” in nature. The market for “on-grid” applications, where solar power is used to supplement electricity purchased from the utility network, represents the largest and fastest growing segment of the solar power market. According to Solarbuzz, LLC, an independent solar energy research and consulting company (“Solarbuzz”), in 2005 the global on-grid segment grew by 42% from what 889MW to 1,262 MW, and since 2001, the on-grid segment has grown at an average annual rate of approximately 55%.

On-grid Applications: On-grid applications generate solar power used to supplement on grid electricity use or generated and sold to utility networks; this represents the largest and fastest growing segment of the solar power market. PV modules enable grid-connected solar power plants to achieve optimal electricity production – lowering the cost of generating solar electricity and maximizing the return on investment for the solar system.

Off-grid Applications: “Off-grid” markets, where access to utility networks is not physically feasible or economical, offer additional opportunities for solar technology. Off-grid industrial applications include road signs, highway call boxes, communications support along remote pipelines and telecommunications equipment, as well as rural residential applications. Off-grid consumer applications include portable recreational power modules, garden lights, marine lighting and camping equipment. As reported by Solarbuzz, the off-grid market grew at 2% in 2005, from 194MW to 198 MW, and has grown at an average of 12% per annum since 2001.

System Manufacturing Value Chain

Currently, Universal Solar plans to emphasize the use of silicon based technologies in its products as a majority of installed solar systems around the world employ crystalline silicon technologies. Crystalline silicon cells are manufactured using monocrystalline silicon, multicrystalline silicon or string ribbon technology. The crystalline silicon-based solar power manufacturing value chain starts with the processing of quartz sand to produce metallurgical-grade silicon. This material is further purified into semiconductor-grade or solar-grade polysilicon feedstock.

In the most widely used crystalline silicon-based solar manufacturing process, feedstock is melted in high temperature furnaces, and then formed into ingots through a crystallization process. Ingots are cut and shaped, then sliced into wafers using high precision cutting techniques. Wafers are manufactured into solar cells through a multiple step manufacturing process that entails etching, doping, coating and applying electrical contacts. Solar cells are then interconnected and packaged to form solar modules, which together with system components such as batteries and inverters, are distributed to installers, systems integrators, service providers or directly to end-users, for installation for on-grid or off-grid systems.

Universal plans to manufacture solar wafers, solar cell, PV Modules, and solar application products such as solar lighting systems.

Solar Power Benefits

Environmental Friendliness and Renewability: Solar power is one of the most environmentally friendly renewable resources available for electricity generation. It does not produce air or water emissions, noise, vibrations or any waste generation.

Peak Energy Generation Ability: Solar power is well-suited to match peak energy needs as maximum sunlight hours generally correspond to peak demand periods when electricity prices are at their highest.

Easily Located with End Users: Unlike other renewable resources such as hydroelectric and wind power, solar power can be utilized anywhere that receives sunlight and directly at the site where the power will be shed. As a result, solar power avoids the expense of, and energy losses associated with, transmission and distribution of electricity from large-scale electrical plants to end users.

No Fluctuations in Operating Costs: Unlike fossil or nuclear fuel, solar energy does not have fuel price volatility. Although there is variability in the amount and timing of sunlight over the day, season and year, a properly sized and configured system can be designed for high reliability while supplying electricity on a long-term, fixed-cost basis.

Reliability and Durability: Without moving parts or the need for periodic maintenance, solar power systems are among the most reliable forms of electricity generation. Accelerated aging tests have shown that solar modules can operate for at least 25 to 30 years without requiring major maintenance.

Modularity: Solar systems are easily modularized and scalable, and therefore can be deployed in many different sizes and configurations to meet the specific needs of the user. Solar modules are increasingly used to serve as both a power generator and the exterior of a building. Like architectural glass, PV modules can be installed on the roofs and facades of residential and commercial buildings.

Global Solar Trends

The solar power market has grown significantly in the past decade. According to Solarbuzz, the global solar power market, as measured by annual solar power system installations, increased from 345 MW in 2001 to 1,460 MW in 2005, representing a compounded annual growth rate, or CAGR, of 43.4%. By 2015, installed solar capacity will grow another 347% to over 72 gigawatts as utilities worldwide are incentivized and forced to adopt sustainable production assets, and as solar energy reaches price parity in a growing number of markets. (Solar Market Trends-Regreasing the Solar Wheels, by Nick Hodge, March 20, 2009 http://www.energyandcapital.com/articles/solar-market-trends/847).

The development and increased usage of solar power is, and for the foreseeable future will be, affected by the existence of government incentives. A growing number of countries have established attractive incentive programs for the development of solar and other renewable energy sources. Countries in Europe, Canada and Asia and several states in the United States have adopted a variety of government subsidies to allow renewable sources of electricity to compete with conventional sources of electricity, such as fossil fuels. Government subsidies and incentives generally focus on grid-connected systems and take several forms, including feed-in tariffs, net metering programs, renewable portfolio standards, rebates, tax incentives and low interest loans.

Under a feed-in tariff subsidy, the government sets prices that regulated utilities are required to pay for renewable electricity generated by end-users. The prices are then set above market rates and may differ based on system size or application. Net metering programs enable end-users to sell excess solar electricity to their local utility in exchange for a credit against their utility bills. Net metering allows end-users to get “full value” for the electricity generated by renewable sources, rather than receiving a less desirable rate. The policies governing net metering vary by state and utility; some utilities pay the end-user upfront, while others credit the end-user’s bill.

United States: With annual growth rates of 20-30%, the U.S. solar market continues to expand at a steady pace. The US recently enacted a major energy bill that included federal tax credits, purchasing goals and other programs designed to accelerate the adoption of solar power. In addition, a number of states, including California, New Jersey and Nevada, have committed substantial resources to the development and implementation of renewable energy programs. For example, in early 2006, California announced a $2.9 billion, 10 year government incentive program to reach 3,000 MW of solar installations by 2017. This program, will subsidize one-third of the installation costs of all new systems. In California, a customer who has purchased solar energy products can receive a cash rebate from the California Energy Commission, a state tax credit and can take advantage of net metering. The customer’s cash rebate is based on the capital cost of the solar power system, currently set at $2.60 per watt.

China: In 2005, China enacted the Renewable Energy Law in order to help reach the government target of 400 MW and 1,000 MW installed by 2010 and 2020, respectively. This law authorizes relevant authorities to set favorable prices for the purchase of surplus on-grid solar-generated electricity and provides other financial incentives for the development of renewable energy projects. In addition, the State Council of China and the Ministry of Construction have recently created directives encouraging the development and use of solar energy in both urban and rural areas.

Meanwhile, in 2005, the Shanghai municipal government launched a program called the “100,000 Roofs Projects.” The goal of this program is to install solar power systems onto 100,000 roofs (300MW) in Shanghai by 2015.

OUR PROPOSED PRODUCTS

We are setting up manufacturing facilities in Nanyang City, Henan Province in China. We plan to manufacture five types of products: silicon ingots, solar wafers, solar cells, high efficiency solar PV modules and solar lighting systems. The plant area covers 10,000 square meters and will include two factories, one office building, one dormitory and one canteen and is expected to be completed for use around the middle of 2010. Manufacturing is expected to start in shortly after the completion of the construction of the facilities. As of December 31, 2009, ten monocrystalline silicon growers, two monocrystalline wire saws, two solar module production lines and supporting facilities have been delivered to Nanyang. The annual capacities of the current equipments are expected to be 16.6 MW silicon ingots, 7.4 MW solar wafers and 20 MW solar modules. In 2011, we expect to expand our total annual production capacities to 50 MW silicon ingots, 37 MW silicon wafers and 30 MW solar modules with 30 monocyrstalline silicon growers, 10 monocrystalline wire saws and 3 solar module production lines.

Currently, we are not producing solar cells.

Our subsidiary, Kuong U, has satisfied EU standard for its Photovoltaic Modules, GYSP-175, which is the most common used PV module in the EU market. We have also obtained certificates IEC 61215 and 61730 from both VDE Testing and Certification Institute and TUV for meeting those standards.

The Technical Inspection Organization or TUV is a longstanding German safety testing and certification organization. Its certifications are widely recognized and respected in Europe and are growing in importance in the U.S. and other countries. In Germany where the Company has participated in trade shows focused on solar energy industry, the TUV certification is required for products displayed at these trade shows.

The Underwriters Laboratories or UL is an independent product safety certification organization that has been testing products and writing standards for safety for more than a century in the U.S. The Company plans to submit its products for testing in the future as funds permit.

To assist in securing an EU standard, the company had a prototype product tested by an independent testing facility. On January 14, 2008, Kuong U entered an agreement with Arizona State University (“ASU”). During the agreement, Photovoltaic Testing Laboratory (“PTL”) at ASU will conduct Crystalline Silicon Terrestrial Photovoltaic (PV) Modules - Design Qualification and Type Approval (IEC 61215) tests and Photovoltaic (“PV”) Module Safety Qualification Part 2 (IEC 61730-2) tests on Kuong U’s GYSP-175 photovoltaic modules. A total of ten unconditioned production modules and one laminate (frameless modules) were sent to the PTL to complete the test program. Among the agreement, Kuong U paid $37,650 to ASU for its services. The agreement period is from January 10, 2008 to December 31, 2008. Kuong U received test certificate for that its product GYSP-175 photovoltaic module satisfied IEC 61215 on October 7, 2008.

After successful completion of the test, PTL has transferred an IEC test data report to VDE Testing & Certifications Institute in Germany.

According to http://www.vde.com, The VDE Testing and Certification Institute is accredited on a national and international level for the area of testing and certification of electro-technical equipment, components and systems. Testing of electro-technical products is conducted for safety, electromagnetic compatibility and other characteristics. The results of testing are evaluated scientifically and contribute to the development of electro-technical standards.

VDE is a professional organization of electrical engineers; issues, in collaboration with German Institute for Standardization (DIN), standards for the field of electrical engineering. It also conducts testing and certification much likes UL in the United States.

Kuong U contacted VDE directly and established an IEC 61730 evaluation, to include the construction evaluation requirements of IEC 61730-1, additional IEC 61730-2 module or materials tests, and factory inspection requirement. On January 18, 2008, Kuong U entered ordered testing services for VDE Certification based on test report from ASU IEC61215 and IEC 21730-2 report. In addition, Kuong U applied for VDE Certification and test according to IEC 61730-1 Photovoltaic (PV) module safety qualification Part 1 (IEC 61730-1) with VDE. Total invoiced fees for VDE certification and testing services are 7,956 EUR.

We received VDE standard certificates of IEC 61730-1, and 71730-2, and IEC 61215, as the EU standard allows +10% to -10% allowance, Kuong U would be able to market and sell its main Photovoltaic Modules, GYSP175 and GYSP180, to EU countries.

We are currently developing a strong product portfolio to serve the diverse needs of our rapidly developing global customer pipeline. Products currently being marketed, and/or developed include:

- PV modules
- Solar lighting system including solar lamps for road and highway infrastructure

7

PV Modules& Systems

Many of our prototype PV modules are designed for large scale, grid-connected solar power plants and are sold to leading solar project developers for use in commercial PV projects. We also plan to provide technical support and product documentation to customers to ensure that systems are optimized for high performance and long term reliability.

Sample Prototype Products in PV Module Series

The following sample prototypes have been manufactured by Yuamao Laser under an agreement with us under which we retain all rights to the design of the products and exclusive rights to market and sell the products.

Solar modules GYSP-200

Characteristics	Specifications
Open circuit voltage(Voc): 48V	Monocrystalline silicon
Optimum operating voltage: (Vmp)37.5V	Dimension(mm):1830x825x50
	Tolerance: ±5%
Short circuit current(Isc): 5.46A	Weight:16.9kg
Optimum operating current(Imp): 5.2A	Maximum system voltage: 1000V DC
Peak power(Pm): 200W	

Solar modules GYSP-180

Characteristics	Specifications
Open circuit voltage(Voc): 44.9V	Monocrystalline silicon
Optimum operating voltage: (Vmp)38.6V	Dimension(mm): 1715x802x45
	Tolerance: ±5%
Short circuit current(Isc): 5.1A	Weight: 16.9kg
Optimum operating current(Imp): 4.68A	Maximum system voltage: 1000V DC
Peak power(Pm): 180W	

Solar modules GYSP-175

Characteristics	Specifications
Open circuit voltage(Voc): 44.06V	Monocrystalline silicon
Optimum operating voltage: (Vmp)35.5V	Dimension(mm): 1580x808x37
	Tolerance: ±5%
Short circuit current(Isc): 5.25A	Weight: 15.3kg
Optimum operating current(Imp): 4.95A	Maximum system voltage: 1000V DC
Peak power(Pm): 175W	

Solar modules GYSP-160

Characteristics
Open circuit voltage(Voc): 43.2V
Optimum operating voltage (Vmp): 35V
Short circuit current (Isc): 5.1A
Optimum operating current (Imp): 4.59A
Peak power(Pm): 160W

Specifications
Monocrystalline silicon
Dimension (mm): 1588x802x45
Tolerance: ± 5%
Weight: 15.6kg
Maximum system voltage: 1000V DC

Solar modules GYSP-130

Characteristics
Open circuit voltage(Voc): 22.6V
Optimum operating voltage (Vmp): 17.6V
Short circuit current (Isc): 7.83A
Optimum operating current (Imp): 7.35A
Peak power(Pm): 130W

Specifications
Monocrystalline silicon
Dimension (mm): 1466x656x40
Tolerance: ± 5%
Weight: 13.2kg
Maximum system voltage: 1000V DC

Solar modules GYSP-120

Characteristics
Open circuit voltage(Voc): 22.5V
Optimum operating voltage (Vmp): 17.5V
Short circuit current (Isc): 7.12A
Optimum operating current (Imp): 6.8A
Peak power(Pm): 120W

Specification
Monocrystalline silicon
Dimension (mm): 1425X650X40
Tolerance: ± 5%
Weight: 10.8kg
Maximum system voltage: 1000V DC

Solar modules GYSP-100

Characteristics
Open circuit voltage(Voc): 21.6V
Optimum operating voltage (Vmp): 17.4V
Short circuit current (Isc): 7.24A
Optimum operating current (Imp): 6.14A
Peak power(Pm): 100W

Specifications
Monocrystalline silicon
Dimension (mm): 1425X650X40
Tolerance: ± 5%
Weight: 10.8kg
Maximum system voltage: 1000V DC

Solar modules GYSP-80

Characteristics
Open circuit voltage(Voc): 21.3 V
Optimum operating voltage (Vmp): 17.4 V
Short circuit current (Isc): 5.2A
Optimum operating current (Imp): 4.6A
Peak power(Pm): 80W

Specifications
Monocrystalline silicon
Dimension(mm): 802X802X35
Tolerance: ±5%
Weight: 9.1kg
Maximum system voltage: 720V DC

Solar modules GYSP-65

Characteristics
Open circuit voltage(Voc): 21.6V
Optimum operating voltage (Vmp): 17.5V
Short circuit current (Isc): 3.51A
Optimum operating current (Imp): 3.71A
Peak power(Pm): 65W

Specifications
Monocrystalline silicon
Dimension(mm): 785X650X28
Tolerance: ±5%
Weight: 5kg
Maximum system voltage: 720V DC

Solar modules GYSP-50

Characteristics
Open circuit voltage(Voc): 21.8V
Optimum operating voltage (Vmp): 17.9V
Short circuit current (Isc): 3.0A
Optimum operating current (Imp): 2.81A
Peak power(Pm): 50W

Specifications
Monocrystalline silicon
Dimension(mm): 540X710X35
Tolerance: ±5%
Weight: 5.3kg
Maximum system voltage: 720V DC

Solar modules GYSP-40

Characteristics
Open circuit voltage(Voc): 21.8V
Optimum operating voltage (Vmp): 17V
Short circuit current (Isc): 2.55A
Optimum operating current (Imp): 2.34A
Peak power(Pm): 40W

Specifications
Monocrystalline silicon
Dimension(mm): 758X534X30
Tolerance: ±5%
Weight: 5.8kg
Maximum system voltage: 720V DC

Solar modules GYSP-30

Characteristics
Open circuit voltage(Voc): 21.5V
Optimum operating voltage (Vmp): 16.8V
Short circuit current (Isc): 2.02A
Optimum operating current (Imp): 1.79A
Peak power(Pm): 30W

Specifications
Monocrystalline silicon
Dimension(mm): 435X650X25
Tolerance: ±5%
Weight: 3.5kg
Maximum system voltage: 720V DC

10

Solar modules GYSP-20

Characteristics	Specifications
Open circuit voltage(Voc): 21.5V	Monocrystalline silicon
Optimum operating voltage (Vmp): 16.9V	Dimension(mm): 605X287X25
	Tolerance: ±5%
Short circuit current (Isc): 1.35A	Weight: 3.1kg
Optimum operating current (Imp): 1.2A	Maximum system voltage: 720V DC
Peak power(Pm): 20W	

Solar modules GYSP-10

Characteristics	Specifications
Open circuit voltage(Voc): 21.5V	Monocrystalline silicon
Optimum operating voltage (Vmp): 17V	Dimension(mm): 288X310X28
	Tolerance: ±5%
Short circuit current (Isc): 0.71A	Weight: 2.1kg
Optimum operating current (Imp): 0.58A	Maximum system voltage: 720V DC
Peak power(Pm): 10W	

Solar Lighting Systems

We intend to provide attractive, efficient and reliable solar powered systems for lighting applications including parking lot, street lighting, security lighting, general area lighting, trail and pathway lighting. New products under development relate to outdoor advertising, billboard and sign lighting, and a variety of transit applications. Solar powered systems can be used in lighting up dark areas with dependable off-grid solar power. These systems install easily with no trenching or wiring.

Solar powered lighting is a relatively simple concept and an example of a common off-grid solar application. In a basic way, the system operates like a bank account. Withdrawals from the battery to power the light source must be compensated for by commensurate deposits of energy from the solar panels. As long as the system is designed so deposits exceed withdrawals on an average daily basis, the battery remains charged and light source is reliably powered. The sun provides a direct source of energy to the solar panel. The battery is recharged during the day by direct-current (DC) electricity produced by the solar panel. The light source is powered by the battery each night. Electronic controls are used between the battery, light source and solar panels to protect the battery from overcharge and discharge, and to control the timing and operation of the light.

The types of customers for this line of product include:

City, county, state and federal governments: Streets, roads, signs, intersections, parks and docks

- Department of Defense installations: Perimeter security, parking lots, recreation
- Utilities companies: Emergency back-up lighting, remote customer lighting
- Advertisers: Billboards and advertising shelters
- Industrial/commercial customers: Parking lots, security, welcome signs
- Department of Transportation Signage: On/off ramps and rest area lighting
- Residential developers, homeowners associations: Roads, bike paths and identification signage
- Homeowners: Garden lights, safety lighting, etc.

11

Sample Products in PV Lighting Unit Series

Examples of our products in the PV Lighting Unit Series, manufactured under our agreement with Yuamao Laser, include:

GYSL-1
5V 2.5AH Lead-Acid Battery
8 W light tube
Alternative charging Mode
Car charger
Adaptor
Solar panel
Charging time: 8 times
Continuously work for 30 hours
Carton size 68X40X52
23.5Kg

GYSL-6
6V 1.5AH Ni-MH Battery
7 Lumination Time 8 hours
Continuous Working Time 7 days
Body Material plastic body
Color white/Green/Yellow
1 LED 10000mcd 8h 2Batteries
Carton size 35X45x56

GYSL-2
5V 2.5AH Lead-Acid Battery
8W Light Tube
Alternative charging Mode
Car charger
Adaptor
Solar panel
Charging time: 8 times
Continuously work for 30 hours
Carton size 65X42X42.5
10.5Kg

GYSL-3
Stainless Steel Body
8W Light Tube
Continuously work for 30 hours
Carton size 65X42X42.5
16.5Kg

GYSL-4
175W Solar Energy system
70Ah Battery
Controller 7A
Energy Conservation Lamp 15W
Lumination Time 8 hours
Continuous Working Time 7 days

GYSL-5
6V 1.5AH Ni-MH Battery
7W Light Tube
Charging time: 8 times
Continuously work for 30 hours
Carton size 35X42X120
Color White

GYSL-7	GYSL-8	GYSL-9	GYSL-10
100W Solar Energy system	45W Solar Energy system	40W Solar Energy system	80W Solar Energy system
60Ah Battery	50Ah Battery	65Ah Battery	100Ah Battery
Controller 10A	Controller 7A	Controller 6A	Controller 7A
Energy Conservation Lamp 15W	Energy Conservation Lamp 12W	Energy Conservation Lamp 11W	Energy Conservation Lamp 10W
Lumination Time 8 hours	Lumination Time 8 hours	Lumination Time 8 hours	Lumination Time 8 hours
Continuous Working Time	Continuous Working Time	Continuous Working Time	Continuous Working Time
7 days	7 days	7 days	7 days

PRODUCTION FACILITIES

We are in the process of setting up our manufacturing facilities in Nanyang City, Henan province, China. We have set up production lines for three kinds of products: solar wafer, silicon ingot and PV- module. Total costs for main equipments obtained for these production lines are as follows.

Equipment:

Product Line	Annual Capacity	Equipment Details		Total Equipment Costs (US$)
Solar Wafer	7.4 MW	2 wire saws @ $333,818/set		$ 667,636
Silicon ingot	16.6 MW	10 grower @ $125,808/set		$ 1,258,080
PV Module	20 MW	2 lines @ $700,000/line		$ 1,400,000
			Total:	$ 3,325,716

Land:

We signed a Land Purchase Agreement on December 1, 2008 with a local government for the rights to use 71,280 square meters of land for a term of 40 years at the cost of $5.94 per square meter. Our total cost for the land use rights is $423,420. We are in the process of obtaining our land use right certificate from the relevant local government authorities.

Factory:

We are in the process of completing construction of two factories each covering 2,000 square meters. The construction cost for each factory is estimated at $267,000. Our total estimated cost of the entire plant area is $1,435,840, which includes two factories, one dormitory, one office building and one canteen. By December 31, 2009, we have paid $625,696 for the construction of our plant. We estimate that the construction for the plant will be completed around the middle of 2010.

We have registered our subsidiary, Nanyang UST as a WFOE in Nanyang City, Henan province in China, under the wholly foreign owned enterprise laws of China. We have obtained all government approvals in connection with Nanyang UST's WFOE status.

We have received delivery of 10 monocrystalline silicon growers, two monocrystalline wire saws, two solar PV module production lines and supporting facilities as of December 31, 2009 at our plant in Nanyang. With these equipments, we annual production capacities are expected to be 16.6 MW silicon ingots, 7.4 MW solar wafers and 20 MW solar modules. In 2011, we expect to expand our total production capacities to 50 MW silicon ingots, 37 MW silicon wafers and 30 MW solar modules with 30 monocrystalline silicon growers, ten monocrystalline wire saws and 3 solar module production lines.

RAW MATERIAL

We do not currently have agreements with any suppliers for our raw materials. Since the market for our raw material is not tight and will not be in the foreseeable future, we do not expect to have any difficulties obtaining our required supply raw materials.

TARGET MARKETS AND PRINCIPAL CUSTOMERS

Our management team has engineering, product development and international sales backgrounds in advanced laser technologies, solar cell manufacturing, and solar manufacturing machinery design and sales. We intend to leverage our strong industry contacts and relationships to develop a strong global customer pipeline.

We plan to sell our solar wafer products to Suntech Power Holdings Co. (NYSE: STP) in Wuxi, China, Motech Industries, Inc. in Taiwan and JA Solar Holding (NASDAQ: JASO) in Hebei Province, China, and other solar cell and solar module producers. Our Chairman and management have had a multi-year relationship with these potential customers due to their position with Yuemao Laser, which has sold them laser equipment.

We plan to sell our solar cell and solar PV module product to customers in the EU, North America, Asia and Africa.

SALES AND MARKETING

We intend to develop several sales channels - direct sales, industry specific / country specific manufacturer's sales representatives, and international strategic partnerships. The Company's sales strategy is designed to capitalize its existing strong management relationships, rapidly growing market segments and emerging trends.

Direct Sales

Our executive team has the unique advantage of being able to leverage relationships from our strategic partner, Yuemao, whose business interests include steel trade, silicon laser technologies, water purifying facilities and real estate investments. The team has developed strong domestic and international relationships through their success in launching and developing an advanced laser technology company, Yuemao Laser, which focuses on serving the needs of the solar wafer and solar industry.

The executive team also handles direct sales activities, while managing operations, product line enhancements, customer care, as well as vendor and agent relationships. A dedicated direct sales force and senior sales executives will be hired to sell to targeted trade channels in China, the US and Europe. This expanded direct sales team is expected to be the major force behind our growth. Emphasis will be given to growing and qualifying large accounts and or high margin products across markets in the European Union member countries.

Manufacturers' Sales Representatives

We also intend to align ourselves with a number of specialized representatives and performance based contractors. These consist of individuals or small groups, who dedicate their respective sales and marketing efforts to either a limited number of companies or particular industry segments. They are small firms, each with 1-5 salespeople that we may have under contract. They will introduce our higher margin products to potential new customers in new industry segments.

International Distribution & Strategic Partners

We are evaluating potential contracts with a number of strategic distributors and partners in international markets in Asia (outside of China), South America, and Eastern Europe. These distributors will be encouraged to enter into agreements with the Company which require each organization to produce a minimum annual “dollar” sales amount per territory.

Public Relations

We are committed to raising our profile and leveraging additional publicity. To this end, we plan to expand our dialogue with leading industry analysts and trade publications. We plan to have members of our management speak at trade conferences, and contribute articles and press releases to market-specific publications. This will encourage industry analysts to view us as a keen innovator, activist, and campaigner in the promotion of solar power across a variety of applications.

We are planning a communications campaign focusing on trade events, panel discussions, speaking engagements, white papers, pitch letters, press announcements, direct marketing and advertising. The primary goal is to reinforce sales efforts by promoting positive testimonials and success stories from our initial base of clients, while also being an advocate and educator for renewable and sustainable energy sources. By participating in seminars and industry conferences, our management team intends to develop stronger awareness and relationships with current and potential customers.

We retained Dragon Gate Investment Partners LLC to provide us with investor relations services and have entered into a contract with Business Wire to distribute out new release.

Advertising

We intend to initiate a conservative, yet effective advertising campaign in major trade publications that will identify us as a quality purveyor of new, innovative, and attractively designed solar modules and technologies.

COMPETITION

The solar energy and renewable energy industries are both highly competitive and continually evolving as participants strive to distinguish themselves within their markets and compete within the larger electric power industry. Within the renewable energy industry, Universal Solar believes that the main sources of competition are crystalline silicon solar module manufacturers, other thin film solar module manufacturers and companies developing solar thermal and concentrated photovoltaic technologies. Among photovoltaic module and cell manufacturers, the principal methods of competition are price per watt, production capacity, conversion efficiency and reliability. We believe that we can compete favorably with respect to these factors; however, we also believe that our growing focus on providing aesthetically pleasing modular solutions and an array of value added services and products helps further differentiate us from similar peers.

Our product designs, price points, relationships, infrastructure, quality control standards, and industry contacts represent substantial competitive advantages. We maintain a substantially lower cost structure than competitors based in the US and Europe. Foreign competitors currently cannot match us on pricing, technological innovation, and efficient use of low cost manufacturing resources. Furthermore, our competitive advantage in China is protected by significant knowledge of government regulations, business practices, and strong relationships.

With respect to our Chinese competitors, we view our strong marketing abilities and flexibility in rapidly bringing new products to market as our key advantages. It should be noted that many competitors are larger and have more financial resources, larger production capacities and greater brand name recognition which may, as a result, put them in a better position to adapt to changes in the industry or the economy as a whole. Additionally, because global supply of pure silicon is becoming scarce due to high demand in solar-powered appliances and technologies, we are evaluating opportunities to acquire and or enter into a joint-venture with a silicon mine that will help control cost pressures of related rising silicon prices.

PRINCIPAL OFFICE

Our principal office is located at No. 1 Pingbei Road 2, Nanping Science & Technology Industrial Park, Zhuhai City, Guangdong Province, the People's Republic of China 519060.

EMPLOYEES AND ORGANIZATION

As of December 31, 2009, we had 54 full-time employees. Senior management include 4 senior officers with one employee is allotted to the production team; one employee is allotted to the technical team; one employee is allotted to the finance team and one is allotted to management. We have 14 employees in our administration and accounting departments and 36 employees dedicated to production at our WOFE in Henan. None of our employees are covered by a collective bargaining agreement and we have never experienced a work stoppage, and we consider our labor relations to be excellent.

Subject to receipt of additional financing, we plan to recruit an additional 250 employees at the new manufacturing facilities in Nanyang City, Henan Province in China. Our current four management team plan to move to the new manufacturing facilities as well. We plan to have the following composition of our organization:

Function	Planned Headcount
Sales	10
Administration & Accounting	26
Senior Management	0
Production	214
Total	250

TAX BENEFITS

As a WFOE, Nanyang UST is entitled to a two-year exemption from the enterprise income tax for its first two profitable years of operation, and to a 50% reduction of its applicable income tax rate of 25% for the succeeding three years.

RESEARCH AND DEVELOPMENT

Subject to receipt of additional financing, we plan to devote continuously a substantial amount of resources to research and development by focusing our efforts on the following areas.

Improving conversion efficiency of solar modules: One of the most promising ways of increasing the conversion efficiency of solar modules is maximizing the number of photons that reach the absorption layer of the semiconductor material so that they can be converted into electrons, maximizing the number of electrons that reach the surface of the cadmium telluride and minimizing the electrical losses between the semiconductor layer and the back metal conductor. We believe that our ability to achieve higher module efficiencies is primarily a function of rapidly transferring new technology developments into high-throughput module production and continuously making incremental improvements to the solar module and the manufacturing process internally or in conjunction with outsourced manufactures.

Optimization of Systems: We are planning to commit resources to reduce the cost and optimize the effectiveness of components in its photovoltaic system by collecting filed performance data to identify opportunities for module and process improvement and improve the performance of systems that use our modules. In addition, the Company uses this data to enhance predictive models and simulations for the end-users.

Flexibility in Design & Quick Implementation of Innovations: We are committed to being flexible to meet customer needs and being able to evolve quickly with market innovations and demands. The Company closely monitors trends and developing technologies in order to help insure its ability to meet both current and future customer preferences.

Providing Attractive & Flexible Lighting Systems and Solar Modules: Often overlooked by competitors, we are keen to implement and market new module designs and lighting systems that allow for better building and environmental integration. Staying in tune with architectural preferences and ahead of peers will help the Company thrive and prosper.

During the fiscal year 2009, due to fiscal restraints, we did not devote any resources to research and development as planned.

GOVERNMENT REGULATION

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

Renewable Energy Law and Other Government Directives

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

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

China's Ministry of Construction also issued a directive in June 2005, which seeks to expand the use of solar energy in residential and commercial buildings and encourages the increased application of solar energy in different townships. In addition, the State Council promulgated a directive in July 2005 which sets out specific measures to conserve energy resources.

Environmental Regulations

We are subject to a variety of foreign, federal, state and local governmental regulations related to environmental protection. The major environmental regulations applicable to our proposed manufacturing facility include the Environmental Protection Law of the PRC, the Law of PRC on the Prevention and Control of Water Pollution, Implementation Rules of the Law of PRC on the Prevention and Control of Water Pollution, the Law of PRC on the Prevention and Control of Air Pollution, Implementation Rules of the Law of PRC on the Prevention and Control of Air Pollution, the Law of PRC on the Prevention and Control of Solid Waste Pollution, and the Law of PRC on the Prevention and Control of Noise Pollution.

Our proposed research and development activities and manufacturing facility are expected to use, generate and discharge toxic, volatile or otherwise hazardous chemicals and wastes. If we fail to comply with present or future environmental laws and regulations, we could be subject to fines, suspension of production or a cessation of operations. In addition, under some foreign, federal, state and local statutes and regulations, a governmental agency may seek recovery and response costs from operators of property where releases of hazardous substances have occurred or are ongoing, even if the operator was not responsible for the release or otherwise was not at fault.

Intellectual Property Rights

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

Our success depends, in part, on our ability to conduct business without infringing on the proprietary rights of others. We rely primarily on a combination of trade secrets, as well as employee and third party confidentiality agreements to safeguard our intellectual property.

ITEM 1A. RISK FACTORS

An investment in our common stock is speculative and involves an extremely high degree of risk and uncertainty. You should carefully consider the risks described below, together with the other information contained in this prospectus, including the consolidated financial statements and notes thereto of our Company, before deciding to invest in our common stock. The risks described below are not the only ones facing our Company. Additional risks not presently known to us or that we presently consider immaterial may also adversely affect our Company. If any of the following risks occur, our business, financial condition and results of operations and the value of our common stock could be materially and adversely affected.

RISKS RELATING TO OUR COMPANY

WE ARE AN EARLY STAGE COMPANY AND HAVE NO OPERATING HISTORY ON WHICH TO EVALUATE OUR POTENTIAL FOR FUTURE SUCCESS.

Our company was formed in July 2007, and to date has only a short period of formation, planning, analysis and testing. In addition, we have no operating history under our proposed business model upon which you can evaluate our business and prospects.

There can be no assurance that we will derive significant revenues from products sales.

We are an early stage company. You must consider the risks and uncertainties frequently encountered by early stage companies in new and rapidly evolving markets such as competing technologies, lack of customer acceptance of a new or improved service or product and obsolescence of the technology before it can be fully commercialized. If we are unsuccessful in addressing these risks and uncertainties, our business, results of operations and financial condition will be materially and adversely affected.

Doubts exist about our ability to continue as a going concern.

IF WE DO NOT OBTAIN ADDITIONAL CAPITAL, WE MAY BE UNABLE TO SUSTAIN OUR BUSINESS.

Since our inception in 2007, we have not received any funds from the issuance of common stock. We are actively seeking additional funding, but to date have not entered into any agreements or other arrangements for such financing. There can be no assurance that the required additional financing will be available on terms favorable to us or at all.

Without additional funding, the company will not be able to pursue its business model. If adequate funds are not available or are not available on acceptable terms when required, we would be required to significantly curtail our operations and would not be able to fund the development of the business envisioned by our business model. These circumstances could have a material adverse effect on our business and our ability to continue to operate as a going concern. If additional funds are raised through the issuance of equity or convertible debt securities, our then existing shareholders may experience substantial dilution, and such securities may have rights, preferences and privileges senior to those of our common stock.

IF WE NEED ADDITIONAL CAPITAL TO FUND OUR GROWING OPERATIONS, WE MAY NOT BE ABLE TO OBTAIN SUFFICIENT CAPITAL AND MAY BE FORCED TO LIMIT THE SCOPE OF OUR OPERATIONS.

As we implement our growth strategies, we may experience increased capital needs and we may not have enough capital to fund future operations without additional capital investments. Our capital needs will depend on numerous factors, including (1) our profitability; (2) the release of competitive products by our competition; (3) the level of our investment in research and development; and (4) the amount of our capital expenditures. We cannot assure you that we will be able to obtain capital in the future to meet our needs.

If we cannot obtain additional funding, we may be required to:

- reduce our investments in research and development;
- limit our marketing efforts; and
- decrease or eliminate capital expenditures.

Such reductions could have a material adverse effect on our business and our ability to compete.

Even if we do find a source of additional capital, we may not be able to negotiate acceptable terms and conditions for receiving the additional capital. Any future capital investments could dilute or otherwise materially and adversely affect the holdings or rights of our existing shareholders. In addition, new equity or convertible debt securities issued by us to obtain financing could have rights, preferences and privileges senior to our common stock. We cannot give you any assurance that any additional financing will be available to us, or if available, will be on terms favorable to us.

WE MAY HAVE DIFFICULTY RAISING NECESSARY CAPITAL TO FUND OPERATIONS AS A RESULT OF MARKET PRICE VOLATILITY OF OUR SHARES OF COMMON STOCK.

If our business development plans are successful, we may require additional financing to continue to develop and exploit existing and new technologies and to expand into new markets. The exploitation of our technologies may, therefore, be dependent upon our ability to obtain equity financing through debt and equity or other means. In recent years, the securities markets in the United States have experienced a high level of price and volume volatility, and the market price of securities of many companies have experienced wide fluctuations that have not necessarily been related to the operations, performance, underlying asset values or prospects of such companies.

For these reasons, our shares of common stock can also be expected to be subject to volatility resulting from purely market forces over which we will have no control. Such volatility may make it more difficult to find investors willing to invest in our common stock, or to negotiate equity financing or terms that are acceptable to us.

WE HAVE INCURRED LOSSES IN CERTAIN PRIOR PERIODS AND MAY INCUR LOSSES IN THE FUTURE.

We incurred net losses of $421,562 for the year ended December 31, 2009, and we may incur losses in the future. We expect our costs and expenses to increase as we expand our operations. Our ability to achieve and maintain profitability depends on the growth rate of the solar power market, the continued global market acceptance of solar power products in general and our future products in particular, the pricing trend of solar power products, the competitiveness of our proposed products as well as our ability to provide new products to meet the demands of our customers and our ability to control our costs and expenses. We may not be able to achieve or sustain profitability on a quarterly or annual basis.

19

THERE ARE SIGNIFICANT RISKS IN EXECUTING OUR BUSINESS STRATEGY AND OUR BUSINESS PLANS COULD CHANGE

To execute our business plan, we will need to recruit over 250 additional employees, secure raw materials from suppliers, set up a manufacturing facility, establish a distribution channel and secure purchase orders from customers. Each of these elements carries substantial risk in our ability to execute on them, including our ability to finance the costs — estimated at $20 million for the cost to equip a facility to manufacture and to expand our three product lines — and our ability to successfully manage the startup. These uncertainties could cause us to significantly change our strategy.

TO MAXIMIZE OUR POTENTIAL FOR FUTURE GROWTH AND ACHIEVE OUR EXPECTED REVENUES, WE NEED TO MANAGE GROWTH IN OUR CURRENT OPERATIONS.

In order to maximize potential growth, we believe that we must establish our manufacturing and marketing operations. This will place a significant strain on our management and on our operational, accounting, and information systems. We expect that as we grow we will need to improve our financial controls, operating procedures, and management information systems to handle increased operations. We will also need to effectively train, motivate, and manage our employees. Our failure to manage our growth could disrupt our operations and ultimately prevent us from generating the revenues we expect.

WE CANNOT ASSURE YOU THAT OUR ORGANIC GROWTH STRATEGY WILL BE SUCCESSFUL.

One of our growth strategies is to grow organically by increasing the distribution and sales of our products in new markets outside of China. However, many obstacles to entering new markets exist, such as the costs associated with entering into new markets, developing and implementing effective marketing efforts abroad and maintaining attractive foreign exchange ratios. We cannot, therefore, assure you that we will be able to successfully overcome such obstacles and establish our products in any additional markets. Our inability to successfully implement our organic growth strategy may have a negative impact on our growth strategy and on our future financial condition, results of operations or cash flows.

WE CANNOT ASSURE YOU THAT OUR ACQUISITION GROWTH STRATEGY WILL BE SUCCESSFUL.

In addition to our organic growth strategy we also expect to grow through strategic acquisitions. We intend to pursue opportunities to acquire businesses that are complementary or related to our existing product lines or may execute a potential joint venture or acquisition with a silicon mine or other strategic partner. We may not be able to locate suitable acquisition or joint venture candidates at prices that we successfully consider appropriate. If we do identify an appropriate candidate, we may not be able to successfully negotiate the terms of an acquisition, finance the acquisition on terms that are satisfactory to us or if the acquisition occurs successfully, integrate the acquired business into our existing business. Acquisitions of businesses or other material operations may require debt financing or additional equity financing, resulting in leverage or dilution of ownership. Integration of acquired business operations could disrupt our business by diverting management away from day-to-day operations. The difficulties of integration may be increased by the necessity of coordinating geographically dispersed organizations, integrating personnel with disparate business backgrounds and combining different corporate cultures. We also may not be able to maintain key employees or customers of an acquired business or realize cost efficiencies or synergies or other benefits we anticipated when selecting our acquisition candidates. In addition, we may need to record write-downs from future impairments of intangible assets, which could reduce our future reported earnings. At times, acquisition candidates may have liabilities or adverse operating issues that we fail to discover through due diligence prior to the acquisition which will be required to comply with laws of the People's Republic of China ("PRC"), to the extent applicable. There can be no assurance that any proposed acquisition will be able to comply with PRC requirements, rules and/or regulations, or that we will successfully obtain governmental approvals to the extent required, which may be necessary to consummate such acquisitions.

IF WE ARE NOT ABLE TO IMPLEMENT OUR STRATEGIES TO ACHIEVE OUR BUSINESS OBJECTIVES, OUR BUSINESS OPERATIONS AND FINANCIAL PERFORMANCE MAY BE ADVERSELY AFFECTED.

Our business plan and growth strategy is based on currently prevailing circumstances and the assumption that certain circumstances will or will not occur, as well as the inherent risks and uncertainties involved in various stages of development. However, there is no assurance that we will be successful in implementing our strategies or that our strategies, even if implemented, will lead to the successful achievement of our objectives. If we are not able to successfully implement our strategies, our business operations and financial performance may be adversely affected.

WE DEPEND ON OUR KEY MANAGEMENT PERSONNEL AND THE LOSS OF THEIR SERVICES COULD ADVERSELY AFFECT OUR BUSINESS.

We place substantial reliance upon the efforts and abilities of our executive officers, Wensheng Chen, our Founder and Chairman; Ling Chen, our President; Jun Ren, Vice President - Operations; and Renming Li, Vice President - Product Development & Research. The loss of the services of any of our executive officers could have a material adverse effect on our business, operations, revenues or prospects. We do not maintain key man life insurance on the lives of these individuals. Mr. Wensheng Chen has significant activities outside the company that put demands on his time that could detract from his management of the company’s business.

FAILURE TO ATTRACT AND RETAIN PERSONNEL COULD HAVE AN ADVERSE IMPACT ON OUR OPERATIONS.

Our future success depends on our ability to identify, attract, hire, retain and motivate other well-qualified managerial, technical, sales and marketing personnel. There is intense competition for these individuals, and there can be no assurance that these professionals will be available in the market or that we will be able to meet their compensation requirements.

RISKS RELATED TO OUR BUSINESS

IF PV TECHNOLOGY IS NOT SUITABLE FOR WIDESPREAD ADOPTION, OR SUFFICIENT DEMAND FOR PV PRODUCTS DOES NOT DEVELOP OR TAKES LONGER TO DEVELOP THAN WE ANTICIPATED, OUR SALES MAY NOT CONTINUE TO INCREASE OR MAY EVEN DECLINE, AND WE MAY BE UNABLE TO SUSTAIN PROFITABILITY.

The PV market is at a relatively early stage of development and the extent to which PV products will be widely adopted is uncertain. Market data in the PV industry are not as readily available as those in other more established industries where trends can be assessed more reliably from data gathered over a longer period of time. If PV technology proves unsuitable for widespread adoption or if demand for PV products fails to develop sufficiently, we may not be able to grow our business or generate sufficient revenues to achieve profitability. In addition, demand for PV products in our targeted markets, including China, may not develop or may develop to a lesser extent than we anticipated. Many factors may affect the viability of widespread adoption of PV technology and demand for PV products, including:

- availability of government subsidies and incentives to support the development of the PV industry;
- cost-effectiveness of PV products compared to conventional and other non-solar energy sources and products;
- performance and reliability of PV products compared to conventional and other non-solar energy sources and products;
- success of other alternative energy generation technologies, such as fuel cells, wind power and biomass;
-

fluctuations in economic and market conditions that affect the viability of conventional and non-solar alternative energy sources, such as increases or decreases in the prices of oil, coal, natural gas and other fossil fuels;

- cost and availability of credit, loans and other funding mechanisms to finance the installation and maintenance of PV systems. For example, a rise in interest rates would likely render existing financings more expensive and be an obstacle for potential financings that would otherwise spur the growth of the PV industry;
- capital expenditures by end users of PV products, which tend to decrease when the economy slows down; and
- deregulation of the electric power industry and broader energy industry.

WE POTENTIALLY FACE INTENSE COMPETITION FROM OTHER COMPANIES PRODUCING SOLAR ENERGY AND OTHER RENEWABLE ENERGY PRODUCTS.

The PV market is intensely competitive and rapidly evolving. According to Photon International’s survey in March 2006, as of the end of 2005, 94 companies in the world produced PV cells and 153 companies produced PV modules. The solar PV industry also saw a boom in silicon production facilities around the world, responding to silicon feedstock shortages of recent years. Solar PV manufacturers were signing long-term contracts to ensure a growing supply, and silicon manufacturers are consistently announcing plans to build new plants. By the end of 2007, more than 70 silicon manufacturing facilities were being constructed or planned. (http://www.ren21.net/pdf/RE2007_Global_Status_Report.pdf, Page 19). Many of our potential competitors have established more prominent market positions, and if we fail to attract and retain customers and establish successful distribution networks in our target markets for our products, we will be unable to generate sales. Our competitors include PV divisions of large conglomerates such as Royal Sanyo Group and Sharp Corporation, specialized cell manufacturers such as Q-Cells AG, as well as integrated manufacturers of PV products such as Renewable Energy Corporation and SolarWorld AG. Some of our potential competitors have also become vertically integrated, from upstream silicon wafer manufacturing to PV system integration. We expect to compete with future entrants to the PV market that offer new technological solutions. We may also face competition from semiconductor manufacturers, a few of which have already announced their intention to start production of PV cells. Many of our potential competitors are developing or currently producing products based on new PV technologies, including thin film, ribbon, sheet and nano-technologies, which they believe will ultimately cost the same as or less than crystalline silicon technologies similar to ours. In addition, the entire PV industry also faces competition from conventional and non-solar renewable energy technologies. Due to the relatively high manufacturing costs compared to most other energy sources, solar energy is generally not competitive without government incentive programs.

Most of our potential competitors have substantially greater financial, technical, manufacturing and other resources than we do. Greater size in some cases provides them with a competitive advantage with respect to manufacturing costs because of their economies of scale and their ability to purchase raw materials at lower prices. For example, those companies that also manufacture semiconductors may source both semiconductor grade silicon wafers and solar grade silicon wafers from the same supplier. As a result, those companies may have stronger bargaining power with the supplier and have an advantage over us in negotiating favorable pricing, as well as securing silicon ingot and silicon wafer supplies at times of shortages. Many of our potential competitors also have greater brand name recognition, more established distribution networks and larger customer bases. In addition, many of our potential competitors have well-established relationships with our current and potential distributors and have extensive knowledge of our target markets. As a result, they may be able to devote greater resources to the research, development, promotion and sale of their products or respond more quickly to evolving industry standards and changes in market conditions than we can. Our failure to adapt to changing market conditions and to compete successfully with existing or new entrants may materially and adversely affect our financial condition and results of operations. Our failure to develop and introduce new PV products could render our products uncompetitive or obsolete, and reduce our sales and market share.

The PV industry is rapidly evolving and competitive. We will need to invest significant financial resources in research and development to keep pace with technological advances in the PV industry and to effectively compete in the future. However, research and development activities are inherently uncertain, and we might encounter practical difficulties in commercializing our research results. Our significant expenditures on research and development may not reap corresponding benefits. A variety of competing PV technologies that other companies may develop could prove to be more cost-effective and have better performance than our PV products. Therefore, our development efforts may be rendered obsolete by the technological advances of others. Breakthroughs in PV technologies that do not use crystalline silicon could mean that companies such as us that currently rely entirely on crystalline silicon would encounter a sudden, sharp drop in sales. Our failure to develop and introduce new PV products could render our products uncompetitive or obsolete, and result in a decline in our market share.

INTENSE COMPETITION FROM EXISTING AND NEW ENTITIES MAY ADVERSELY AFFECT OUR REVENUES AND PROFITABILITY.

We compete with other companies, many of whom are developing, or can be expected to develop, products similar to ours. Some of our competitors are more established than we are, and have significantly greater financial, technical, marketing and other resources than we presently possess. Some of our competitors have greater name recognition and a larger customer base. These competitors may be able to respond more quickly to new or changing opportunities and customer requirements and may be able to undertake more extensive promotional activities, offer more attractive terms to customers, and adopt more aggressive pricing policies. We intend to create greater brand awareness for our brand name so that we can successfully compete with our competitors. We cannot assure you that we will be able to compete effectively with current or future competitors or that the competitive pressures we face will not harm our business.

OUR DEPENDENCE ON A LIMITED NUMBER OF SUPPLIERS FOR A SUBSTANTIAL PORTION OF SILICON INGOTS AND SILICON WAFERS COULD PREVENT US FROM DELIVERING OUR PRODUCTS IN A TIMELY MANNER TO OUR CUSTOMERS IN THE REQUIRED QUANTITIES, WHICH COULD RESULT IN ORDER CANCELLATIONS, DECREASED REVENUE AND LOSS OF MARKET SHARE.

From company inception to the date of filing of this report, we have not purchased any silicon ingots and silicon wafers. We plan to purchase solar cells from Suntech Power Holdings Co. (NYSE:STP), Motech Industries, Inc. and JA Solar Holding (NASDAQ: JASO). To develop or secure our relationships with these suppliers, we may extend interest-free loans or make prepayments to them, or grant them warrants or other rights to purchase our ordinary shares, which could increase our costs or expenses. If we fail to develop or maintain our relationships with these or our other suppliers, we may be unable to manufacture our products, our products may only be available at a higher cost or after a long delay, or we could be prevented from delivering our products to our customers in the required quantities, at competitive prices and on acceptable terms of delivery. Problems of this kind could cause us to experience order cancellations, decreased revenue and loss of market share. In general, the failure of a supplier to supply materials and components that meet our quality, quantity and cost requirements in a timely manner due to lack of supplies or other reasons could impair our ability to manufacture our products or could increase our costs, particularly if we are unable to obtain these materials and components from alternative sources in a timely manner or on commercially reasonable terms. We cannot assure you that we will not experience shortfalls of silicon ingots or silicon wafers from our suppliers in the future or that, in the event of such shortfalls, we will be able to find other silicon ingots and silicon wafers suppliers to satisfy our production needs. Any disruption in the supply of silicon wafers to us may adversely affect our business, financial condition, results of operations and business prospects.

OUR DEPENDENCE ON A LIMITED NUMBER OF CUSTOMERS MAY CAUSE SIGNIFICANT FLUCTUATIONS OR DECLINES IN OUR REVENUES.

We plan to sell a substantial portion of our wafers and PV products to a limited number of customers, including distributors, engineering design firms, system integrators, other value-added resellers, as well as integrated manufacturers of PV products. To date, we have not had any customers or any sales. We plan to conduct our sales to customers typically through non-exclusive, short-term arrangements where the contract prices are typically agreed upon between our customers and us on a quarterly basis, and as such, our actual revenues can vary significantly. We anticipate that our dependence on a limited number of customers would continue for the foreseeable future. Consequently, any one of the following events may cause material fluctuations or declines in our revenues and have a material adverse effect on our results of operations:

- reduction, delay or cancellation of orders from one or more significant customers;
- selection by one or more significant customers of products competitive with ours;

- loss of one or more significant customers and our failure to identify additional or replacement customers; and
- failure of any significant customers to make timely payment for our products.

CHANGES TO EXISTING REGULATIONS OVER THE UTILITY SECTOR AND THE PV INDUSTRY MAY PRESENT TECHNICAL, REGULATORY AND ECONOMIC BARRIERS TO THE PURCHASE AND USE OF PV PRODUCTS, WHICH MAY SIGNIFICANTLY REDUCE DEMAND FOR OUR PRODUCTS.

The market for power generation products is heavily influenced by government regulations and policies concerning the electric utility industry, as well as the internal policies of electric utilities companies. These regulations and policies often relate to electricity pricing and technical interconnection of end user-owned power generation. In a number of countries, these regulations and policies are being modified and may continue to be modified. End users' purchases of alternative energy sources, including PV products, could be deterred by these regulations and policies, which could result in a significant reduction in the potential demand for our PV products. For example, utility companies commonly charge fees to larger, industrial customers for disconnecting from the electricity transmission grid or for having the capacity to use power from the electricity transmission grid for back-up purposes. These fees could increase end users' costs of using our PV products and make our PV products less desirable, thereby having an adverse effect on our business, prospects, results of operations and financial condition.

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

THE REDUCTION OR ELIMINATION OF GOVERNMENT SUBSIDIES AND ECONOMIC INCENTIVES FOR ON-GRID SOLAR ENERGY APPLICATIONS COULD CAUSE DEMAND FOR OUR PRODUCTS AND OUR REVENUES TO DECLINE.

Almost all of our solar cells sold are eventually utilized in the on-grid market, where the solar power systems are connected to the utility grid and generate electricity to feed into the grid. We believe that the near-term growth of the market for on-grid applications depends in large part on the availability and size of government subsidies and economic incentives. The reduction or elimination of subsidies and economic incentives may adversely affect the growth of this market or result in increased price competition, either of which could cause our revenues to decline.

Today, when upfront system costs are factored into cost per kilowatt, the cost of solar power substantially exceeds the cost of power furnished by the electric utility grid in many locations. As a result, national and local governmental bodies in many countries, most notably in Germany, Spain, Italy, the United States and China, have provided subsidies and economic incentives in the form of feed-in tariffs, rebates, tax credits and other incentives to distributors, system integrators and manufacturers of solar power products to promote the use of solar energy in on-grid applications and to reduce dependence on other forms of energy. These government economic incentives could potentially be reduced or eliminated altogether. The solar power industry is currently moving towards the economies of scale necessary for solar power to become cost-effective in a non-subsidized market. Reductions in, or eliminations of, subsidies and economic incentives for on-grid solar energy applications could result in decreased demand for our products and cause our revenues to decline.

WE MAY INCUR SIGNIFICANT COSTS TO ENSURE COMPLIANCE WITH U.S. CORPORATE GOVERNANCE AND ACCOUNTING REQUIREMENTS.

We may incur significant costs associated with our public company reporting requirements, costs associated with newly applicable corporate governance requirements, including requirements under the Sarbanes-Oxley Act of 2002 and other rules implemented by the Securities and Exchange Commission and the NASDAQ OTCBB. We expect all of these applicable rules and regulations to increase our legal and financial compliance costs and to make some activities more time-consuming and costly. We also expect that these applicable rules and regulations may make it more difficult and more expensive for us to obtain director and officer liability insurance and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. As a result, it may be more difficult for us to attract and retain qualified individuals to serve on our board of directors or as executive officers. We are currently evaluating and monitoring developments with respect to these newly applicable rules, and we cannot predict or estimate the amount of additional costs we may incur or the timing of such costs.

PROBLEMS WITH PRODUCT QUALITY OR PRODUCT PERFORMANCE MAY CAUSE US TO INCUR WARRANTY EXPENSES, DAMAGE OUR MARKET REPUTATION AND PREVENT US FROM ACHIEVING INCREASED SALES AND MARKET SHARE.

The PV modules we plan to sell are typically sold with a 20 year warranty and 1-year warranty for defects in materials and workmanship, respectively. The PV modules may also contain a 10 year and 20 year warranty against declines of more than 8.0% and 10.0% of initial power generation capacity, respectively. As a result of these warranties, we would bear the risk of extensive warranty claims long after we have sold our products and recognized revenues. We have not retained any third party insurance to cover certain warranty-related claims on our products. We have not sold any PV modules since inception, and accordingly none of our PV modules has been in use for more than five years. Because our products have not been in use, we cannot assure you that our assumptions regarding the durability and reliability of our products are reasonable. Our warranty provisions in future may be inadequate, and we may have to incur substantial expense to repair or replace defective products in the future. Furthermore, widespread product failures may damage our market reputation and cause our sales to decline.

WE HAVE LIMITED INSURANCE COVERAGE AND MAY INCUR LOSSES RESULTING FROM PRODUCT LIABILITY CLAIMS OR BUSINESS INTERRUPTIONS.

If we secure any PV product sales, we would be exposed to risks associated with product liability claims in the event that the use of the PV products sold results in injury. Since our proposed products are electricity producing devices, it is possible that users could be injured or killed by the products, whether by product malfunctions, defects, improper installation or other causes. We have not sold any products and, due to limited historical experience, we are unable to predict whether product liability claims will be brought against us in the future or the effect of any resulting adverse publicity on our business. Moreover, we may have only limited product liability insurance and may not have adequate resources to satisfy a judgment in the event of a successful claim against us. The successful assertion of product liability claims against us could result in potentially significant monetary damages and require us to make significant payments. In addition, as the insurance industry in China is still in an early stage of development, business interruption insurance available in China offers limited coverage compared to that offered in many other countries.

LEGISLATIVE AND REGULATORY ACTIONS AND POTENTIAL NEW ACCOUNTING PRONOUNCEMENTS, INCLUDING SECTION 404 OF THE SARBANES-OXLEY ACT OF 2002, ARE LIKELY TO IMPACT OUR FUTURE FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

There have been certain regulatory changes, including the Sarbanes-Oxley Act of 2002, and there may potentially be new accounting pronouncements or additional regulatory changes, which will have an impact on our future financial condition and results of operations. The Sarbanes-Oxley Act of 2002 and other rule changes as well as proposed legislative initiatives will increase our general and administrative costs, as we will incur increased legal and accounting fees to comply with such rule changes. In addition, proposed initiatives are expected to result in changes in certain accounting and disclosure rules. These and other potential changes could materially increase the expenses we report in our financial statements and adversely affect our operating results.

Section 404 of the Sarbanes-Oxley Act of 2002 requires management to assess its internal controls over financial reporting and requires auditors to attest to that assessment. Current regulations of the Securities and Exchange Commission will require us to (1) include this assessment in our Annual Report on Form 10-K commencing with the annual report for our fiscal year ending December 31, 2010, and (2) include this attestation in our Annual Report on Form 10-K commencing with the annual report for our fiscal year ending December 31, 2010.

We will incur significant increased costs in implementing and responding to the new requirements. In particular, the rules governing the standards that must be met for management to assess its internal controls over financial reporting under Section 404 are complex and require significant documentation, testing and possible remediation. Our process of reviewing, documenting and testing our internal controls over financial reporting may cause a significant strain on our management, information systems and resources. We will have to invest in additional accounting and software systems. We may be required to hire additional personnel and to use outside legal, accounting and advisory services. We will also incur additional fees from our auditors as they perform the additional services necessary for them to provide their attestation. If we are unable to favorably assess the effectiveness of our internal controls over financial reporting when we are required, or if our independent auditors are unable to provide an unqualified attestation report on such assessment, we may be required to change our internal controls over financial reporting to remediate deficiencies. In addition, investors may lose confidence in the reliability of our financial statements causing our stock price to decline.

ACTS OF TERRORISM, RESPONSES TO ACTS OF TERRORISM AND ACTS OF WAR MAY IMPACT OUR BUSINESS AND OUR ABILITY TO RAISE CAPITAL.

Future acts of war or terrorism, national or international responses to such acts, and measures taken to prevent such acts may harm our ability to raise capital or our ability to operate, especially to the extent we depend upon activities conducted in foreign countries, such as China. In addition, the threat of future terrorist acts or acts of war may have effects on the general economy or on our business that are difficult to predict. We are not insured against damage or interruption of our business caused by terrorist acts or acts of war.

RISKS RELATING TO THE PEOPLE'S REPUBLIC OF CHINA

CURRENCY CONVERSION AND EXCHANGE RATE VOLATILITY COULD ADVERSELY AFFECT OUR FINANCIAL CONDITION.

The PRC government imposes control over the conversion of Renminbi into foreign currencies. Under the current unified floating exchange rate system, the People's Bank of China publishes an exchange rate, which we refer to as the People's Bank of China exchange rate, based on the previous day's dealings in the inter-bank foreign exchange market. Financial institutions authorized to deal in foreign currency may enter into foreign exchange transactions at exchange rates within an authorized range above or below the People's Bank of China exchange rate according to market conditions. Pursuant to the Foreign Exchange Control Regulations of the PRC issued by the State Council which came into effect on April 1, 1996, and the Regulations on the Administration of Foreign Exchange Settlement, Sale and Payment of the PRC which came into effect on July 1, 1996, regarding foreign exchange control, conversion of Renminbi into foreign exchange by Foreign Investment Enterprises, for use on current account items, including the distribution of profits to foreign investors, is permissible. Conversion of Renminbi into foreign currencies for capital account items, including direct investment, loans, and security investment, is still under certain restrictions. On January 14, 1997, the State Council amended the Foreign Exchange Control Regulations and added, among other things, an important provision, which provides that the PRC government shall not impose restrictions on recurring international payments and transfers under current account items.

Enterprises in the PRC (including Foreign Investment Enterprises) which require foreign exchange for transactions relating to current account items, may, without approval of the State Administration of Foreign Exchange, or SAFE, effect payment from their foreign exchange account or convert and pay at the designated foreign exchange banks by providing valid receipts and proofs.

TO THE EXTENT OUR ASSETS ARE LOCATED IN CHINA, ANY DIVIDENDS OR PROCEEDS FROM LIQUIDATION IS SUBJECT TO THE APPROVAL OF THE RELEVANT CHINESE GOVERNMENT

AGENCIES.

Following the approval of our subsidiary as a WFOE, we plan to set up our manufacturing facilities in Nanyang city, Henan province, China, our assets will be predominantly located inside China. Under the laws governing foreign invested enterprises in China, dividend distribution and liquidation are allowed but subject to special procedures under the relevant laws and rules. Any dividend payment will be subject to the decision of the board of directors and subject to foreign exchange rules governing such repatriation. Any liquidation is subject to both the relevant government agency's approval and supervision as well the foreign exchange control. This may generate additional risk for our investors in case of dividend payment and liquidation.

CHINA’S ECONOMIC POLICIES COULD AFFECT OUR BUSINESS.

To the extent our assets will be located in China and to the extent our revenue will be derived from our operations in China, our results of business and prospects would be subject to the economic, political and legal developments in China.

While China's economy has experienced a significant growth in the past twenty years, growth has been irregular, both geographically and among various sectors of the economy. The Chinese government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures benefit the overall economy of China, but may also have a negative effect on us. For example, our sales results and financial condition may be adversely affected by the government control over capital investments or changes in tax regulations with our future customers.

The economy of China has been transitioning from a planned economy to a more market-oriented economy. In recent years the Chinese government has implemented measures emphasizing the utilization of market forces for economic reform and the reduction of state ownership of productive assets and the establishment of corporate governance in business enterprises; however, a substantial portion of productive assets in China are still owned by the Chinese government. In addition, the Chinese government continues to play a significant role in regulating industry development by imposing industrial policies. It also exercises significant control over China's 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.

WE MAY FACE OBSTACLES FROM THE COMMUNIST SYSTEM IN THE PEOPLE'S REPUBLIC OF CHINA.

Foreign companies conducting operations in The People's Republic of China face significant political, economic and legal risks. The Communist regime in The People's Republic of China includes a stifling bureaucracy which may hinder Western investment.

WE MAY HAVE DIFFICULTY ESTABLISHING ADEQUATE MANAGEMENT, LEGAL AND FINANCIAL CONTROLS IN THE PEOPLE'S REPUBLIC OF CHINA.

The People's Republic of China historically has been deficient in Western style management and financial reporting concepts and practices, as well as in modern banking, computer and other control systems. We may have difficulty in hiring and retaining a sufficient number of qualified employees to work in The People's Republic of China for our wholly foreign owned enterprise (WFOE) in China. As a result of these factors, we may experience difficulty in establishing management, legal and financial controls, collecting financial data and preparing financial statements, books of account and corporate records and instituting business practices that meet Western standards.

BECAUSE OUR ASSETS AND OPERATIONS MIGHT BE LOCATED IN CHINA, YOU MAY HAVE DIFFICULTY ENFORCING ANY CIVIL LIABILITIES AGAINST US UNDER THE SECURITIES AND OTHER LAWS OF THE UNITED STATES OR ANY STATE.

We are a holding company, and all of our assets might be located in the Republic of China. In addition, our directors and officers are non-residents of the United States, and all or a substantial portion of the assets of these non-residents are located outside the United States. As a result, it may be difficult for investors to effect service of process within the United States upon these non-residents, or to enforce against them judgments obtained in United States courts, including judgments based upon the civil liability provisions of the securities laws of the United States or any state.

There is uncertainty as to whether courts of the Republic of China would enforce:

- Judgments of United States courts obtained against us or these non-residents based on the civil liability provisions of the securities laws of the United States or any state; or
- In original actions brought in the Republic of China, liabilities against us or non-residents predicated upon the securities laws of the United States or any state. Enforcement of a foreign judgment in the Republic of China also may be limited or otherwise affected by applicable bankruptcy, insolvency, liquidation, arrangement, moratorium or similar laws relating to or affecting creditors' rights generally and will be subject to a statutory limitation of time within which proceedings may be brought.

THE PRC LEGAL SYSTEM EMBODIES UNCERTAINTIES, WHICH COULD LIMIT LAW ENFORCEMENT AVAILABILITY.

The PRC legal system is a civil law system based on written statutes. Unlike common law systems, decided legal cases have little precedence. In 1979, the PRC government began to promulgate a comprehensive system of laws and regulations governing economic matters in general. The overall effect of legislation over the past 27 years has significantly enhanced the protections afforded to various forms of foreign investment in China. Each of our PRC operating subsidiaries and affiliates is subject to PRC laws and regulations. However, these laws and regulations change frequently and the interpretation and enforcement involve uncertainties. For instance, we may have to resort to administrative and court proceedings to enforce the legal protection that we are entitled to by law or contract. However, since PRC administrative and court authorities have significant discretion in interpreting statutory and contractual terms, it may be difficult to evaluate the outcome of administrative court proceedings and the level of law enforcement that we would receive in more developed legal systems. Such uncertainties, including the inability to enforce our contracts, could affect our business and operation. In addition, intellectual property rights and confidentiality protections in China may not be as effective as in the United States or other countries. Accordingly, we cannot predict the effect of future developments in the PRC legal system, particularly with regard to the industries in which we operate, including the promulgation of new laws. This may include changes to existing laws or the interpretation or enforcement thereof, or the preemption of local regulations by national laws. These uncertainties could limit the availability of law enforcement, including our ability to enforce our agreements with the government entities and other foreign investors.

ANY DIVIDENDS AND OTHER DISTRIBUTIONS FROM ANY SUBSIDIARIES IN CHINA IS SUBJECT TO VARIOUS LEGAL AND CONTRACTUAL RESTRICTIONS AND UNCERTAINTIES, AND OUR ABILITY TO PAY DIVIDENDS OR MAKE OTHER DISTRIBUTIONS TO OUR SHAREHOLDERS ARE NEGATIVELY AFFECTED BY THOSE RESTRICTIONS AND UNCERTAINTIES.

We plan to operate manufacturing facilities in Nanyang city, Henan province in China through PRC subsidiaries. As a result, our profits available for distribution to our shareholders are dependent on the profits available for distribution from PRC subsidiaries. If the subsidiary incurs debt on its own behalf, the debt instruments may restrict its ability to pay dividends or make other distributions, which in turn would limit our ability to pay dividends on our shares. Under the current PRC laws, because we are incorporated in the Nevada, any PRC subsidiaries would be regarded as Sino-foreign joint venture enterprises in China. Although dividends paid by foreign invested enterprises, such as wholly foreign-owned enterprises and Sino-foreign joint ventures, are not subject to any PRC corporate withholding tax, the PRC laws permit payment of dividends only out of net income as determined in accordance with PRC accounting standards and regulations. Determination of net income under PRC accounting standards and regulations may differ from determination under U.S. GAAP in significant aspects, such as the use of different principles for recognition of revenues and expenses. In addition, if we make additional capital contributions to PRC subsidiaries, (which may occur through the capitalization of undistributed profits), then additional approval of the PRC government would be required due to an increase in our registered capital and total investment .. Under the PRC laws, a Sino-foreign joint venture enterprise is required to set aside a portion of its net income each year to fund designated statutory reserve funds. These reserves are not distributable as cash dividends. As a result, our primary internal source of funds of dividend payments from PRC subsidiaries are subject to these and other legal and contractual restrictions and uncertainties, which in turn may limit or impair our ability to pay dividends to our shareholders. Moreover, any transfer of funds from us to PRC subsidiaries, either as a shareholder loan or as an increase in registered capital, is subject to registration with or approval by PRC governmental authorities. We currently do not intend on paying any dividends in the future and expect to retain all available funds to support our operations and to finance growth and development of our business. We have never declared dividends or paid cash dividends. Our board of directors will make any future decisions regarding dividends. We currently intend to retain and use any future earnings for the development and expansion of our business and do not anticipate paying any cash dividends in the near future. Therefore, any gains on an investment in our common stock will likely occur through an increase in our stock price, which may or may not occur.

FAILURE TO COMPLY WITH PRC REGULATIONS RELATING TO THE ESTABLISHMENT OF OFFSHORE SPECIAL PURPOSE COMPANIES BY PRC RESIDENTS MAY SUBJECT OUR PRC RESIDENT STOCKHOLDERS TO PERSONAL LIABILITY, LIMIT OUR ABILITY TO ACQUIRE PRC COMPANIES OR TO INJECT CAPITAL INTO OUR PRC SUBSIDIARIES, LIMIT OUR PRC SUBSIDIARIES' ABILITY TO DISTRIBUTE PROFITS TO US OR OTHERWISE MATERIALLY ADVERSELY AFFECT US.

In October 2005, the PRC State Administration of Foreign Exchange, or SAFE, issued the Notice on Relevant Issues in the Foreign Exchange Control over Financing and Return Investment Through Special Purpose Companies by Residents Inside China, generally referred to as Circular 75, which required PRC residents to register with the competent local SAFE branch before establishing or acquiring control over an offshore special purpose company, or SPV, for the purpose of engaging in an equity financing outside of China on the strength of domestic PRC assets originally held by those residents. Internal implementing guidelines issued by SAFE, which became public in June 2007 (known as Notice 106), expanded the reach of Circular 75 by (1) purporting to cover the establishment or acquisition of control by PRC residents of offshore entities which merely acquire "control" over domestic companies or assets, even in the absence of legal ownership; (2) adding requirements relating to the source of the PRC resident's funds used to establish or acquire the offshore entity; (i) covering the use of existing offshore entities for offshore financings; (3) purporting to cover situations in which an offshore SPV establishes a new subsidiary in China or acquires an unrelated company or unrelated assets in China; and (4) making the domestic affiliate of the SPV responsible for the accuracy of certain documents which must be filed in connection with any such registration, notably, the business plan which describes the overseas financing and the use of proceeds. Amendments to registrations made under Circular 75 are required in connection with any increase or decrease of capital, transfer of shares, mergers and acquisitions, equity investment or creation of any security interest in any assets located in China to guarantee offshore obligations, and Notice 106 makes the offshore SPV jointly responsible for these filings. In the case of an SPV which was established, and which acquired a related domestic company or assets, before the implementation date of Circular 75, a retroactive SAFE registration was required to have been completed before March 31, 2006; this date was subsequently extended indefinitely by Notice 106, which also required that the registrant establish that all foreign exchange transactions undertaken by the SPV and its affiliates were in compliance with applicable laws and regulations. Failure to comply with the requirements of Circular 75, as applied by SAFE in accordance with Notice 106, may result in fines and other penalties under PRC laws for evasion of applicable foreign exchange restrictions. Any such failure could also result in the SPV's affiliates being impeded or prevented from distributing their profits and the proceeds from any reduction in capital, share transfer or liquidation to the SPV, or from engaging in other transfers of funds into or out of China.

We believe our stockholders who are PRC residents as defined in Circular 75 have registered with the relevant branch of SAFE, as currently required, in connection with their equity interests in us and our acquisitions of equity interests in our PRC subsidiaries. However, we cannot provide any assurances that their existing registrations have fully complied with, and they have made all necessary amendments to their registration to fully comply with, all applicable registrations or approvals required by Circular 75. Moreover, because of uncertainty over how Circular 75 will be interpreted and implemented, and how or whether SAFE will apply it to us, we cannot predict how it will affect our business operations or future strategies. For example, our present and prospective PRC subsidiaries' ability to conduct foreign exchange activities, such as the remittance of dividends and foreign currency-denominated borrowings, may be subject to compliance with Circular 75 by our PRC resident beneficial holders. In addition, such PRC residents may not always be able to complete the necessary registration procedures required by Circular 75. We also have little control over either our present or prospective direct or indirect stockholders or the outcome of such registration procedures. A failure by our PRC resident beneficial holders or future PRC resident stockholders to comply with Circular 75, if SAFE requires it, could subject these PRC resident beneficial holders to fines or legal sanctions, restrict our overseas or cross-border investment activities, limit our subsidiaries' ability to make distributions or pay dividends or affect our ownership structure, which could adversely affect our business and prospects.

The value of our common stock will be affected by the foreign exchange rate between U.S. dollars and RMB, and between those currencies and other currencies in which our sales may be denominated. For example, if we need to convert U.S. dollars into RMB for our operational needs and the RMB appreciates against the U.S. dollar at that time, our financial position, our business, and the price of our common stock may be harmed. Conversely, if we decide to convert our RMB into U.S. dollars for the purpose of declaring dividends on our common stock or for other business purposes and the U.S. dollar appreciates against the RMB, the U.S. dollar equivalent of our earnings from our subsidiaries in China would be reduced.

WE MAY BE EXPOSED TO LIABILITIES UNDER THE FOREIGN CORRUPT PRACTICES ACT, AND ANY DETERMINATION THAT WE VIOLATED THE FOREIGN CORRUPT PRACTICES ACT COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR BUSINESS.

We are subject to the Foreign Corrupt Practice Act, or FCPA, and other laws that prohibit improper payments or offers of payments to foreign governments and their officials and political parties by U.S. persons and issuers as defined by the statute, for the purpose of obtaining or retaining business. We have operations, agreements with third parties and we make sales in China. Our activities in China create the risk of unauthorized payments or offers of payments by the employees, consultants, sales agents or distributors of our Company, even though they may not always be subject to our control. It is our policy to implement safeguards to discourage these practices by our employees. However, our existing safeguards and any future improvements may prove to be less than effective, and the employees, consultants, sales agents or distributors of our Company may engage in conduct for which we might be held responsible. Violations of the FCPA may result in severe criminal or civil sanctions, and we may be subject to other liabilities, which could negatively affect our business, operating results and financial condition. In addition, the U.S. government may seek to hold our Company liable for successor liability FCPA violations committed by companies in which we invest or that we acquire.

RISKS RELATED TO CORPORATE AND STOCK MATTERS

OUR STOCK IS A PENNY STOCK. TRADING OF OUR STOCK MAY BE RESTRICTED BY THE SEC'S PENNY STOCK REGULATIONS WHICH MAY LIMIT A STOCKHOLDER'S ABILITY TO BUY AND SELL OUR STOCK.

Our stock is a penny stock. The SEC has adopted Rule 15g-9 which generally defines "penny stock" to be any equity security that has a market price (as defined) less than $5.00 per share or an exercise price of less than $5.00 per share, subject to certain exceptions. Our securities are covered by the penny stock rules, which impose additional sales practice requirements on broker-dealers who sell to persons other than established customers and "accredited investors". The term "accredited investor" refers generally to institutions with assets in excess of $5,000,000 or individuals with a net worth in excess of $1,000,000 or annual income exceeding $200,000 or $300,000 jointly with their spouse. The penny stock rules require a broker-dealer, prior to a transaction in a penny stock not otherwise exempt from the rules, to deliver a standardized risk disclosure document in a form prepared by the SEC which provides information about penny stocks and the nature and level of risks in the penny stock market. The broker-dealer also must provide the customer with current bid and offer quotations for the penny stock, the compensation of the broker-dealer and its salesperson in the transaction and monthly account statements showing the market value of each penny stock held in the customer's account. The bid and offer quotations, and the broker-dealer and salesperson compensation information, must be given to the customer orally or in writing prior to effecting the transaction and must be given to the customer in writing before or with the customer's confirmation. In addition, the penny stock rules require that prior to a transaction in a penny stock not otherwise exempt from these rules, the broker-dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written agreement to the transaction. These disclosure requirements may have the effect of reducing the level of trading activity in the secondary market for the stock that is subject to these penny stock rules. Consequently, these penny stock rules may affect the ability of broker-dealers to trade our securities. We believe that the penny stock rules discourage investor interest in and limit the marketability of our common stock.

NASD SALES PRACTICE REQUIREMENTS MAY ALSO LIMIT A STOCKHOLDER'S ABILITY TO BUY AND SELL OUR STOCK.

Section 15(g) of the Securities Exchange Act of 1934, as amended, and Rule 15g-2 promulgated thereunder by the SEC require broker-dealers dealing in penny stocks to provide potential investors with a document disclosing the risks of penny stocks and to obtain a manually signed and dated written receipt of the document before effecting any transaction in a penny stock for the investor's account.

Potential investors in our common stock are urged to obtain and read such disclosure carefully before purchasing any shares that are deemed to be "penny stock." Moreover, Rule 15g-9 requires broker-dealers in penny stocks to approve the account of any investor for transactions in such stocks before selling any penny stock to that investor. This procedure requires the broker-dealer to (i) obtain from the investor information concerning his or her financial situation, investment experience and investment objectives; (ii)reasonably determine, based on that information, that transactions in penny stocks are suitable for the investor and that the investor has sufficient knowledge and experience as to be reasonably capable of evaluating the risks of penny stock transactions; (iii) provide the investor with a written statement setting forth the basis on which the broker-dealer made the determination in (ii) above; and (iv) receive a signed and dated copy of such statement from the investor, confirming that it accurately reflects the investor's financial situation, investment experience and investment objectives. Compliance with these requirements may make it more difficult for holders of our common stock to resell their shares to third parties or to otherwise dispose of them in the market or otherwise.

SHARES ELIGIBLE FOR FUTURE SALE MAY ADVERSELY AFFECT THE MARKET PRICE OF OUR COMMON STOCK, AS THE FUTURE SALE OF A SUBSTANTIAL AMOUNT OF OUR RESTRICTED STOCK IN THE PUBLIC MARKETPLACE COULD REDUCE THE PRICE OF OUR COMMON STOCK.

From time to time, certain of our stockholders may be eligible to sell all or some of their shares of common stock by means of ordinary brokerage transactions in the open market pursuant to Rule 144, promulgated under the Securities Act ("Rule 144"), subject to certain limitations. In general, pursuant to Rule 144, a stockholder (or stockholders whose shares are aggregated) who has satisfied a one-year holding period may, under certain circumstances, sell within any three-month period a number of securities which does not exceed the greater of 1% of the then outstanding shares of common stock or the average weekly trading -volume of the class during the four calendar weeks prior to such sale. Rule 144 also permits, under certain circumstances, the sale of securities, without any limitations, by a non-affiliate of our company that has satisfied a two-year holding period. Any substantial sale of common stock pursuant to Rule 144 or pursuant to any resale prospectus may have an adverse effect on the market price of our securities.

WE HAVE A HIGH CONCENTRATION OF STOCK OWNERSHIP AND CONTROL, AND A SMALL NUMBER OF SHAREHOLDERS HAVE THE ABILITY TO EXERT SIGNIFICANT CONTROL IN MATTERS REQUIRING SHAREHOLDER VOTES AND MAY HAVE INTERESTS THAT CONFLICT WITH YOURS.

Our common stock ownership is highly concentrated. See “Principal Shareholders.” As a result, a relatively small number of shareholders, acting together, have the ability to control all matters requiring shareholder approval, including the election of directors and approval of mergers and other significant corporate transactions. This concentration of ownership may have the effect of delaying, preventing or deterring a change in control of our company. It could also deprive our shareholders of an opportunity to receive a premium for their shares as part of a sale of our company and it may affect the market price of our common stock. In deciding how to vote on such matters, those shareholders’ interests may conflict with yours.

ITEM 2. PROPERTIES

Our principal executive offices are located at No. 1 Pingbei Road 2, Nanping Science & Technology Industrial Park, Zhuhai City, Guangdong Province, the People’s Republic of China 519060. This is the office of our Chairman and CEO, Mr. Wensheng Chen. Our telephone number at our principal executive office is 86-756-8682610. We are setting up manufacturing facilities in Nanyang City, Henan Province in China. We plan to manufacture five types of products: silicon ingots, solar wafers, solar cells, high efficiency solar PV modules and solar lighting systems. The plant area covers 10,000 square meters and will include two factories, one office building, one dormitory and one canteen and is expected to be completed for use around the middle of 2010. Manufacturing is expected to start in shortly after the completion of the construction of the facilities. As of December 31, 2009, ten monocrystalline silicon growers, two monocrystalline wire saws, two solar module production lines and supporting facilities have been delivered to Nanyang. The annual capacities of the current equipments are expected to be 16.6 MW silicon ingots, 7.4 MW solar wafers and 20 MW solar modules. In 2011, we expect to expand our total annual production capacities to 50 MW silicon ingots, 37 MW silicon wafers and 50 MW solar modules with 30 monocyrstalline silicon growers, 10 monocrystalline wire saws and 5 solar module production lines. We have reserved a domain and intend to maintain an Internet website at www.ustnevada.com in both Chinese and English languages. Information on our websites is not part of this report.

31

ITEM 3. LEGAL PROCEEDINGS

We are currently not involved in any litigation that could have a material adverse effect on our financial condition or results of operations. There is no action, suit, proceeding, inquiry or investigation before or by any court, public board, government agency, self-regulatory organization or body pending or, to the knowledge of the executive officers of our Company or any of our subsidiaries, threatened against or affecting our company, our common stock, any of the Company's subsidiaries or of the Company's subsidiaries' officers or directors in their capacities as such, in which an adverse decision could have a material adverse effect.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

PART II

ITEM 5. MARKET FOR REGISTRANTS COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

MARKET INFORMATION

Prior to August 21, 2009, there was no active market for our securities. On August 21, 2009, our common stock began to be quoted on the Over-the-Counter Bulletin Board ("OTCBB") under the symbol "UNSS." The following table sets froth for the indicated periods, the high and low bid prices as reported on the OTCBB. The quotations represent inter-dealer prices without retail markup, mark down or commission, and may not necessary represent actual transactions.

Year	Quarter Ended		High	Low
2009	December 31	$	0.58	0.15
	September 30	$	0.15	0.15
	June 30	$	N/A	N/A
	March 31		N/A	N/A
2008	December 31		N/A	N/A
	September 30		N/A	N/A
	June 30		N/A	N/A
	March 31		N/A	N/A

SHAREHOLDERS OF RECORD

As of March 18, 2010, there were 31 holders of record of our common stock, not including holders who hold their shares in street name.

DIVIDENDS

We have never paid cash dividend on our common stock. We intend to keep future earnings, if any, to finance the expansion of our business, and we do not anticipate that any cash dividends will be paid in the foreseeable future. Our future payment of dividend will depend on our earnings, capital requirements, expansion plans, financial condition and other relevant factors.

ITEM 6. SELECTED FINANCIAL DATA

Not required for smaller reporting company.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

HISTORY

Universal Solar Technology, Inc. was incorporated in the State of Nevada on July 24, 2007. It operates through its wholly owned subsidiary, Kuong U Science & Technology (Group) Ltd. ("Kuong U"), a company incorporated in Macau, Special Administrative Region of the People's Republic of China (Macau SARC) on May 10, 2007. A subsidiary, Nanyang Universal Solar Technology Co., Ltd. ("Nanyang UST"), a wholly foreign owned enterprise ("WFOE") was registered on September 8, 2008 under the wholly foreign-owned enterprises laws of the People's Republic of China ("PRC") to manufacture our products.

We have generated very limited revenues from our business operations.

We have completed the development of our prototype product, and selected Yuemao Laser as the third party manufacturer should we receive orders. We believe the technical aspects of our prototype products are sufficiently developed and are ready to market in the EU and elsewhere.

In addition, we have received test results for our Photovoltaic Modules, GYSP175 and have passed the VDE standard certificates of IEC 61730-1, and 61730-2, and IEC 61215. As a result of meeting these standards, we are able to market our Photovoltaic Modules, GYSP175 in Europe.

We have also registered our subsidiary, Nanyang UST as a WFOE in Nanyang City, Henan Province, China, under the foreign owned enterprise laws of China. We plan to manufacturing five types of products: silicon ingots, solar wafers, solar cells, high efficiency solar PV modules and solar lighting systems.

We must raise cash from sources other than operations. Our only other source for cash at this time is investments by others in our company. We must raise cash to implement our project and continue our operations in China. We have raised total net proceeds of $241,733 in a stock offering in 2008, we do not know how long the money will last, however, we do believe it will last twelve months. We have begun China operations with money raised from this offering.

We have begun China operations but we cannot guarantee that we will be able to sustain our China operations if we are unable to successfully sell our PV modules products internationally. We may quickly use up the proceeds from our stock offering in 2008 and will need to find alternative sources of funding, like a second public offering, a private placement of securities, or loans from our officers or others in order for us to maintain our operations. At the present time, we have not made any arrangements to raise additional cash, other than through the stock offering in 2008 and private loans from our Chairman and a company owned by our Chairman. If we need additional cash and cannot raise it we will either have to suspend operations until we do raise the cash, or cease operations entirely. Once we exhaust our net proceeds from the stock offering in 2008, we will have to revert to obtaining additional money as described in this paragraph. Other than as described in this paragraph, we have no other financing plans.

PLAN OF OPERATION

As of December 31, 2009, we have not begun production and have not generated significant revenue. We continue to obtain loans from our Chairman and a company owned by our Chairman to fund operations and the construction of our manufacturing facilities in Henan. We plan to begin production at our Henan facilities in the middle of 2010 and expect to generate revenue from the sales of such products.

In 2009 and 2008 we have accomplished the following milestones:

1. We entered into a 40 year Land Purchase Agreement on December 1, 2008 for the land use right for 71,280 square meters of land at the cost of approximately \$5.94 per square meter for a total of \$423,420 with the local government in Nanyang City, China. We expect to receive the necessary land use certificate from the local government imminently in 2010. We are completing construction of two factories with each covering 2,000 square meters. The construction cost for building one factory is estimated to be \$267,000. The total construction cost for the entire plant is estimated at \$1,435,840, which includes two factories, one dormitory, one office building and one canteen. As of December 31, 2009, we have paid \$625,696 for the construction of our plant. We expect the construction of the plant to be completed by the middle of 2010.

4. We registered our subsidiary Nanyang UST as a Wholly Foreign Owned Enterprise (WFOE) in Nanyang City, Henan Province in China in the third quarter in 2008. We have received all necessary permits and licenses from the Nanyang Industrial and Commerical Administration Bureau on March 7, 2009.

Looking forward to 2010, we plan to accomplish the following:

1. Raise capital through both equity and debt financing to expand production capabilities to 50 MW ingot, 37 MW wafers and 30 MW solar modules per year in Nanyang City, China.

2. Profitably market and sell our products.

Limited Operating History; Need for Additional Capital

There is no historical financial information about us upon which to base an evaluation of our performance. We have generated very limited revenues. We cannot guarantee that we will be successful in our business operations. Our business is subject to risks inherent in the establishment of a new business enterprise, including limited capital resources and possible cost overruns due to price and cost increases in services and products.

To become profitable, we have to sell our products and generate revenue. In addition, because our new WFOE manufacturing setup in China will require additional investment, we are seeking both equity and debt financing to provide the capital required to implement our business plan in China.

We have no assurance that future financing will be available to us on acceptable terms. If financing is not available on satisfactory terms, we may be unable to continue, develop or expand our operations into China. Equity financing could result in additional dilution to existing shareholders.

RESULTS OF OPERATIONS

Comparison of Years ended December 31, 2009 to December 31, 2008:

Revenue. Our revenue for the year ended December 31, 2009 increased by $680,259 or 5,900% to $691,731 compared to $11,454 for the year ended December 31, 2008. The increase in our revenue is mainly attributed to an increase in sales of products manufactured by third parties due to increase in customer demand for our products.

Cost of Sales. Our cost of sales increased by $608,512 from $10,985 for the year ended December 31, 2008 to $619,497 for the same period in 2009. The increase is attributable to the increase in sales of products manufactured by third parties.

General and Administrative Expenses. General and administrative expenses increased by $30,645 or 10% to $343,445 for the year ended December 31, 2009 from $312,800 for the same period in 2008. The increase was mainly due to expenses associated with consulting, legal and audit expenses associated with the registration of our common stock with the SEC, the fees for salary and office expenses.

Net Loss. Net loss increased by $74,569 or 21.5% to $421,562 for the year ended December 31, 2009 from $346,993 for the same period in 2008. The increase in net loss is mainly due to reasons discussed above.

LIQUIDITY AND CAPITAL RESOURCES

As of December 31, 2009, we had total assets of $5,495,825 and total liabilities of $5,852,826 and we had cash of $1,115,047.

Net cash used in operating activities was $492,158 which is an increase of $240,530 or 95.6% from net cash used in operating activities of $251,628 for the same period in 2008. The increase was mainly due to imputed interest on loans from related parties and prepaid expenses and other current assets, such as value added taxes for equipment purchased for our manufacturing facilities.

Net cash used in investing activities for the fiscal year 2009 was $3,610,754, an increase of 753% from $423,420 for the same period in 2007. This increase was due to construction cost, equipment purchase associated with our new facilities in Nanyang City.

Net cash provided by financing activities for the fiscal year 2009 was $4,926,230, an increase of $4,069,907 or 475% from $856,323 for the same period in 2008. This increase was due to increase of loans from related parties.

We are actively seeking additional external funding, but to date we have not consummated any financing transactions other than personal loans from our Chief Executive Officer and a loan from a related party, Yuemao Technology, a company owned by our Chief Executive Officer, which was made to Nanyang UST.

There are two outstanding loans from our Chief Executive Officer. One loan is in the amount of $22,485, bears interest at 5% per annum and is due on November 1, 2013. The other loan had a balance of $2,185,219 as of December 31, 2009, was non-interest bearing and was due on demand. This loan was amended on May 5, 2010 to bear interest at 1% per annum and to extend the due date to December 1, 2013. During the years 2009 and 2010 before the loan was amended, interest was imputed at 5% and was charged to additional paid in capital.

The loan from Yuemao Technology had a balance of $3,252,300 as of December 31, 2009. This loan was non-interest bearing and was due on demand. On May 5, 2010 this loan was amended to bear interest at 1% per annum and to extend the due date to December 1, 2013. During the years 2009 and 2010 before the loan was amended, interest was imputed at 5% and charged to additional paid in capital.

During fiscal 2010, the Company plans to complete some of its manufacturing facilities and dormitory building in its wholly owned subsidiary of Nanyang Universal Solar Technology Co., Ltd. ("NUST"). As a result, the Company expects to have a great demand of capital resources than previous fiscal years.

The Company's demands of capital resources can be divided into three categories.

(1) Capital demand in daily operations. This category of capital demand includes expenses/cash demands incurred from public company operations, for instance legal fees, audit/review fees and other consulting fees; and capital demands incurred from the Company's operating entity of NUST, including management staff and production workers' wages and other utility fees such as electricity and water, etc. The Company expects to demand around $120,000 per month under this category.
(2) Capital demand for building up manufacturing facilities in NUST. The Company plans to invest about $3,000,000 during fiscal 2010 in purchasing machineries and building up other long-term assets.
(3) Capital demand for further expand NUST to produce new products. If the Company's cash flow status allows, it plans to invest $15,000,0000 in NUST to further expand the Company's current workshops in order to enable the Company to produce solar battery products.

As of December 31, 2009, the Company did not have sufficient capital to meet its objectives of development. In the short-term, due to low profit margin the Company does not expect to achieve positive cash flow. In addition, given the Company's short operating history, it is difficult to predict when the Company would begin to general sufficient cash to support its operations. Therefore, in the foreseeable future related-parities including the Company's CEO, Mr. Chen and companies that he controls intends to provide financial resources to meet the Company's daily cash needs, as referred to in categories (1) and (2) above. The Company plans to raise funds from domestic and foreign banks and/or financial institutions to raise new capital in the future to meet capital demands described in category (3) above.

As of December 31, 2010, the Company has invested approximately $2.9 million for the purchasing of new equipment and the construction of NUST's manufacturing facilities. Going forward, the Company anticipates that it will require an additional $18 million to build a new solar battery manufacturing facility if the Company is able to raise the funds.

Without additional funding, the Company will not be able to pursue its business model. If adequate funds are not available or are not available on acceptable terms when required, we would be required to significantly curtail our operations and would not be able to fund the development of the business envisioned by our business model. These circumstances could have a material adverse effect on our business and result in our ability to continue to operate as a going concern.

CRITICAL ACCOUNTING POLICIES

Basis of presentation

The consolidated financial statements include the accounts of the Company and all of its subsidiaries. All significant inter-company accounts and transactions have been eliminated. These financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America. Our functional currency is the Chinese Renminbi (RMB); however, the accompanying financial statements have been translated and presented in United States dollars (USD).

Certain amounts included in the 2008 financial statement have been reclassified to conform to the 2009 financial statement presentation.

Uses of estimates in the preparation of financial statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of net revenue and expenses during each reporting period. Actual results could differ from those estimates.

Property and equipment

Property and equipment are recorded at cost. Depreciation is provided in amounts sufficient to amortize the cost of the related assets over their useful lives using the straight line method for financial reporting purposes, whereas accelerated methods are used for tax purposes.

Nanyang UST obtained the right to use a parcel of land for its office and production facilities. Pursuant to the contract from the local government of the PRC, the contract expires in 2048. This land use right was recorded at cost and will be amortized over the life of the lease when the land is in service.

Maintenance, repairs and minor renewals are charged to expense when incurred. Replacements and major renewals are capitalized.

Impairment of long-lived assets

Long-lived assets are reviewed for impairment when circumstances indicate the carrying value of an asset may not be recoverable. For assets that are to be held and used, an impairment is recognized when the estimated undiscounted cash flows associated with the asset or group of assets is less than their carrying value. If impairment exists, an adjustment is made to write the asset down to its fair value, and a loss is recorded as the difference between the carrying value and fair value. Fair values are determined based on quoted market values, discounted cash flows or internal and external appraisals, as applicable. Assets to be disposed of are carried at the lower of carrying value or estimated net realizable value.

Research and development costs

Research and development costs are charged to expenses as incurred.

Deferred income taxes

The Company accounts for income taxes in accordance with Statement of Financial Accounting Standards No. 109 (ASFAS 109") which requires that deferred tax assets and liabilities be recognized for future tax consequences attributable to differences between financial statement carrying amounts of existing assets and liabilities and their respective tax bases. In addition, SFAS 109 requires recognition of future tax benefits, such as carryforwards, to the extent that realization of such benefits is more likely than not and that a valuation allowance be provided when it is more likely than not that some portion of the deferred tax asset will not be realized.

Currency translation

Since the Company operates primarily in the PRC, the Company's functional currency is the Chinese Yuan ("RMB"). Revenue and expense accounts are translated at the average rates during the period, and balance sheet items are translated at year-end rates. Translation adjustments arising from the use of differing exchange rates from period to period are included as a separate component of shareholders' equity. Gains and losses from foreign currency transactions are recognized in current operations.

The RMB is not freely convertible into foreign currency and all foreign exchange transactions must take place through authorized institutions. No representation is made that the RMB amounts could have been, or could be, converted into USD at the rates used in translation.

Income (loss) per common share

Basic income (loss) per common share amounts are computed by dividing net income by weighted-average common stock outstanding during the period. Diluted income (loss) per common share are calculated using weighted-average shares outstanding, adjusted for the dilutive effect of shares issuable upon the assumed exercise of common stock equivalents. As of December 31, 2009 and 2008 there were no common stock equivalents outstanding.

Comprehensive income

Comprehensive income is defined to include all changes in equity except those resulting from investments by shareholders and distributions to shareholders. Among other disclosures, all items that are required to be recognized under current accounting standards as components of comprehensive income are required to be reported in a financial statement that is presented with the same prominence as other financial statements. Comprehensive income includes net income and the foreign currency translation gain, net of tax.

NEW ACCOUNTING PRONOUNCEMENTS

In August 2009, the FASB updated the accounting standards to provide additional guidance on estimating the fair value of a liability in a hypothetical transaction where the liability is transferred to a market participant. The standard is effective for the first reporting period, including interim periods, beginning after issuance. The Company does not expect the adoption to have a material effect on its consolidated results of operations and financial condition

In June 2009, FASB established Accounting Standards Codification TM (“ASC”) as the single source of authoritative accounting principles recognized by the FASB in the preparation of financial statements in conformity with the GAAP. The Codification supersedes all non-SEC accounting and reporting standards. All other non-grandfathered non-SEC accounting literature not included in the Codification non-authoritative. The Codification was effective for financial statements issued for interim and annual periods ending after September 15, 2009. We adopted the new guidance for the quarter ended September 30, 2009, which changed the way we reference accounting standards in our disclosures. Adoption of the Codification is not expected to have a material impact on the Company’s results of operations or financial position.

In May 2009, FASB issued new guidance establishing general standards of accounting for disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued, or subsequent events. An entity should apply the requirements to interim or annual financial periods ending after June 15, 2009. Adoption of this standard does not have a material impact on the Company’s results of operations or financial position.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not required for smaller reporting company.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY FINANCIAL DATA

The full text of our audited financial statements as of December 31, 2009 and 2008 begins on page F-1 of this report.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A(T). CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Our management, under the supervision and with the participation of our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), has evaluated the effectiveness of our disclosure controls and procedures as defined in SEC Rules 13a-15(e) and 15d-15(e) as of the end of the period covered by this Annual Report. Our disclosure controls and procedures are designed to ensure that information required to be disclosed in the reports we file or submit under the Securities Exchange Act of 1934 ("Exchange Act") is recorded, processed, summarized, and reported within the time periods specified in the SEC's forms, and that such information is accumulated and communicated to our management including our CEO and CFO, to allow timely decisions regarding required disclosures. Based on their evaluation, our CEO and CFO have concluded that, as of December 31, 2009, our disclosure controls and procedures were ineffective.

Management Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Our internal control over financial reporting was designed to provide reasonable assurance to the Company's management and board of directors regarding the preparation and fair presentation of published consolidated financial statements. Internal control over financial reporting is promulgated under the Exchange Act as a process designed by, or under the supervision of, the Company's principal executive and principal financial officers and effected by the Company's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Internal control over financial reporting, no matter how well designed, has inherent limitations and may not prevent or detect misstatements. Therefore, even effective internal control over financial reporting can only provide reasonable assurance with respect to the financial statement preparation and presentation.

Our management has conducted, with the participation of our CEO and CFO, an assessment, including testing of the effectiveness, of our internal control over financial reporting as of December 31, 2009. Management's assessment of internal control over financial reporting was conducted using the criteria in Internal Control over Financial Reporting - Guidance for Smaller Public Companies issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on such evaluation, management identified deficiencies that were determined to be a material weakness.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. Because of the material weakness described below, management concluded that our internal control over financial reporting was ineffective as of December 31, 2009.

The specific material weakness identified by the Company's management as of December 31, 2009 is described as follows:

- The current staff in the accounting department are inexperienced in U.S. GAAP and they were primarily engaged in ensuring compliance with PRC accounting and reporting requirements for our operating subsidiaries are not required to meet or apply U.S. GAAP requirements. They need substantial training to meet the higher demands of a U.S. public company. The accounting skills and understanding necessary to fulfill the requirements of U.S. GAAP-based reporting, including the preparation of financial statements and consolidation, are inadequate. The Company did not have sufficient and skilled accounting personnel with an appropriate level of technical accounting knowledge and experience in the application of U.S. GAAP commensurate with the Company's financial reporting requirements, which was determined to be a material weakness.

- The Company is lacking qualified resources to perform the internal audit functions properly. In addition, the scope and effectiveness of the Company's internal audit function are yet to be developed.

- We currently do not have an audit committee.

Remediation Initiative

- We are committed to identifying and hiring personnel with accounting knowledge and experience to fulfill the requirements of U.S. GAAP-based reporting including the preparation of financial statements and consolidation.

- We are committed to establishing the internal audit functions but due to limited qualified resources in the region, we were not able to hire sufficient internal audit resources before the end of 2009. However, internally we established a central management center to recruit more senior qualified people in order to improve our internal control procedures. Externally, we are looking forward to engage an accounting firm to assist the Company in improving the Company's internal control system based on COSO Framework. In the future, we also will increase our efforts to hire the qualified resources.

- We intend to establish an audit committee of the board of directors as soon as practicable. We envision that the audit committee will be primarily responsible for reviewing the services performed by our independent auditors, evaluating our accounting policies and our system of internal controls.

Conclusion

The Company does not have adequate staffing and supervision within the bookkeeping and accounting operations of our Company. The relatively small number of employees who have bookkeeping and accounting functions prevents us from segregating duties within our internal control system. The inadequate segregation of duties is a weakness because it could lead to the untimely identification and resolution of accounting and disclosure matters or could lead to a failure to perform timely and effective reviews.

As we are not aware of any instance in which the company failed to identify or resolve a disclosure matter or failed to perform a timely and effective review, we determined that the addition of personnel to our bookkeeping and accounting operations is not an efficient use of our resources at this time and not in the interest of shareholders.

Despite of the material weakness and deficiencies reported above, the Company’s management believes that its consolidated financial statements included in this report fairly present in all material respects the Company’s financial condition, results of operations and cash flows for the periods presented and that this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report.

This Annual Report does not include an attestation report of the Company’s registered public accounting firm regarding internal control over financial reporting. Management’s report was not subject to attestation by the Company’s registered public accounting firm pursuant to temporary rules of the SEC that permit the Company to provide only management's report in this Annual Report.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the fiscal year ended December 31, 2009 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

MANAGEMENT AND BOARD OF DIRECTORS

The following table sets forth the names and ages of our current directors and executive officers, their principal offices and positions and the date each such person became a director or executive officer of our company. Our executive officers are elected annually by the Board of Directors. Our directors serve one year terms until their successors are elected. The executive officers serve terms of one year or until their death, resignation or removal by the Board of Directors. In addition, there were no arrangements or understanding between any executive officer and any other person pursuant to which any person was selected as an executive officer. Currently, directors are not compensated for serving on the Board of Directors. We have not established compensation or executive committees. Currently, our entire board of directors serves as our audit committee. Because of the small size of the Company and the risk attendant to a small public company, we are currently unable to attract an audit committee financial expert to our Board of Directors. None of our directors are independent within the meaning set forth in the rules of NASDAQ as currently in effect.

Name	Age	Position	Date Of Appointment
Wensheng Chen	77	Chief Executive Officer and Chairman of the Board of Directors	July 25, 2007,
Ling Chen	46	President, Chief Financial Officer, Treasurer, Secretary and Board Director	July 25, 2007

BIOGRAPHIES OF OFFICERS AND DIRECTORS

Wensheng Chen, Founder, Chief Executive Officer & Chairman of the Board

Mr. Wensheng Chen is the founder of Universal Solar and currently serves as the Company's Chief Executive Officer and Chairman. He has over 40 years executive experience in technology manufacturing, sales, and product innovation. He is also the Founder and a current Board Member of Yuemao Laser which supplies laser scribing, cutting, welding, grooving to solar cell and modules manufacturers such as SunTech Power Holdings. Mr. Chen worked as manager and executive at Shenyang Liming Machine Making Company from 1958 to 1984. In 1984 he founded a trading company in Beijing. In 1999, Mr. Chen established Yuemao Laser in Zhuhai City. He studied at Liaoning University and majored in TV Broadcasting from 1964 to 1967. In 1967 he continued his education by majoring in politics and philosophy.

Ling Chen, President and Chief Financial Officer and Board Director

Ling Chen currently serves as the President, Chief Financial Officer, Treasurer, Secretary and Board Member of Universal Solar and has over twenty five years of business consulting and advisory experience. She is the daughter of Mr. Wensheng Chen and has been a shareholder and advisor to Yuemao Laser since 1999. Ms. Chen held various management positions with Shenyang Associates, a retail shopping mall company from October 1982 to November 1990. From November 1991 to 1997 she held various positions with Shenyang Shopping Mall.

INDEMNIFICATION OF DIRECTORS AND OFFICERS

Our articles of incorporation limit the liability of directors to the maximum extent permitted by Nevada law. This limitation of liability is subject to exceptions including intentional misconduct, obtaining an improper personal benefit and abdication or reckless disregard of director duties. Our articles of incorporation and bylaws provide that we may indemnify its directors, officer, employees and other agents to the fullest extent permitted by law. Our bylaws also permit us to secure insurance on behalf of any officer, director, employee or other agent for any liability arising out of his or her actions in such capacity, regardless of whether the bylaws would permit indemnification. We currently do not have such an insurance policy.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted for our directors, officers and controlling persons pursuant to the foregoing provisions, or otherwise, we have been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable.

SECTION 16(A) BENEFICIAL OWNERSHIP COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our executive officers and directors and persons who own more than 10% of a registered class of our equity securities to file with the Securities and Exchange Commission initial statements of beneficial ownership, reports of changes in ownership and annual reports concerning their ownership of our common stock and other equity securities on forms 3, 4 and 5 respectively. Executive officers, directors and greater than 10% shareholders are required by the Securities and Exchange Commission regulations to furnish our Company with copies of all Section 16(a) reports they file. Our executive officers, directors and 10% shareholders have not complied with Section 16(a) filing requirements.

ITEM 11. EXECUTIVE COMPENSATION

The executives of the Company received no compensation from the Company for the year ended December 31, 2009. The Company currently has no agreements for compensation of its executives, and has no stock option plan or other equity compensation plan for its employees. The following table sets forth compensation we paid to the following employee, officer and our Chairman of the board during the years ended December 31, 2009 and 2008.

Name	Year	Salary	Bonus	Stock	Option	Non-Equity	Nonqualified	Other	Total
Wensheng Chen	2009	$ -	-	-	-	-	-	-	$ 0
	2008	$ 10,215	-	-	-	-	-	-	$ 10,215
Ling Chen	2009	$ -	-	-	-	-	-	-	$ 0
	2008	$ 10,215	-	-	-	-	-	-	$ 10,215

We have no Outstanding Equity Awards and director compensation plan.

Employment Agreements; Termination of Employment and Change of Control Arrangements

We have no employment agreements with our executive officers.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table sets forth certain information regarding beneficial ownership of common stock as of March 18, 2010 by each of our directors, each of our named executive officers; all executive officers and directors as a group and each person who is known by us to beneficially own more than 5% of our outstanding common stock. Except as otherwise indicated, all persons listed below have (i) sole voting power and investment power with respect to their shares of Common Stock, except to the extent that authority is shared by spouses under applicable law, and (ii) record and beneficial ownership with respect to their shares of stock. The percentage of beneficial ownership is based upon 22,599,974 shares of Common Stock outstanding as of March 18, 2010. Unless otherwise identified, the address of the directors, officers of the Company listed above is the company’s principal business address.

Name	Position Held	Shares Owned	% Owned
Officers and Directors			
Wensheng Chen	Chairman of the Board of Directors	15,000,000(1)	66.4%
Ling Chen	President & Chief Financial Officer	193,233(2)	*%
	All executive officers and directors as a group (2 persons)	15,193,233	67.3%
5% Shareholder			
Hui Chen		5,000,000	22.1
Yumin Liu		15,000,000 (3)	66.4%

* Less than 1%.

(1) Includes 5,000,000 shares held by Yumin Liu, Mr. Chen’s wife.

(2) Shares are held by Xiaodong Wu, Ms. Chen’s husband.

(3) Includes 10,000,000 shares held by Mr. Wensheng Chen, Ms. Liu’s husband.

Item 13. CERTAIN RELATIONSHIP AND RELATED TRANSACTIONS

Founders of Universal Solar and Kuong U were previously engaged in developing PV modules and PV applications business through the solar energy department at Yuemao Laser. Yuemao Laser's parent company is Yuemao Science & Technology Group ("Yuemao Technology"). Yuemao Technology's shareholders are our Chairman and largest shareholder, Mr. Wensheng Chen with 50% ownership, Ms. Hui Chen 25% ownership, and Ms. Ling Chen 25% ownership. Hui Chen and Ling Chen (our President and Chief Financial Officer) are daughters of Wensheng Chen (our Chairman of the Board and Chief Executive Officer).

41

We have developed our prototype products through the solar department at Yuemao Laser. Prototypes have been manufactured by Yuamao Laser under an agreement with us under which we retain all rights to the design of the products and exclusive rights to market and sell the products. Based on the agreement between Kuong U and Yuemao Laser, Yuemao Laser has been developing these prototype products without an up-front payment. According to the agreement, Kuong U will pay Yuemao Laser a 1% royalty fee on Kuong U's actual products sales.

Until our manufacturing facilities are built we plan to subcontract the manufacturing of our PV module products to the solar department at Yuemao Laser. Prices for such contract manufacturing have not been determined.

On November 2, 2008 we entered into an oral loan agreement with our Chairman and CEO, Mr. Wenshen Chen for the principal amount of $22,485. The loan matures in five years and carries an annual interest rate of 5%. Interest was imputed in the amount of $1,124 for the year ended December 31, 2009

From March 1, 2009 to December 31, 2009, our Chairman and CEO, Mr. Wensheng Chen paid various expense and payables on equipments and building construction for the Company, expenses including consulting, legal and audit fees and expenses. These payments on behalf of the Company are considered as personal loans to the Company. The total loan to the Company was in the principal amount of HK$16,949,985.13, approximately US$2,184,853. This loan is due on demand. Mr. Chen has waived all interests for this loan and interest was imputed in the amount of $57,203 for the year ended December 31, 2009.

On December 1, 2009, we signed a loan agreement with Yuemao Technology for the principal amount of RMB22,200,000, approximately US$3,252,300. The loan matures in six months to three years. The annual interest rate is same as the one-year ending rate of Central Bank in PRC. Interest was imputed in the amount of $13,551 for the year ended December 31, 2009. The loan was mainly used in equipment purchase, plant construction and other expenses.

The Company has developed prototype products through the solar department though a related party company with no charge.

During the year ended December 31, 2009, the Company purchased solar panels totaling $619,497 from a company owned by our CEO. We still owe the related company HK$1,837,775, approximately US$236,889.

On March 27, 2007, Kuong U entered a consulting agreement with Allstar Capital Inc. ("Allstar"). On February 28, 2008, Kuong U and Allstar amended and restated the consulting agreement.

According to Amended and Restated Consulting Agreement, among other things, Allstar and its chosen consultants provide advice on the capital structure of UST, financing options, types of financial instruments to be offered, and the market segment for which the financial instruments are suitable. In addition, Allstar and its chosen consultants will also provide linguistic services for UST, including assisting with translations from English to Chinese and Chinese to English; introduce professional firms and individuals to UST, including a U.S. law firm, a U.S. accounting firm, a broker dealer and investment bank; and provide advice on UST's incorporation in the state of Nevada. Allstar and its chosen consultants also advise UST, with the help of UST's U.S. securities counsel, on its registered offering of common stock and related filing with U.S. Securities and Exchange Commission and, when UST engages a market maker, to file its applications with the Financial Industry Regulatory Authority (FINRA) to be quoted on Over-the-counter Bulletin Board.

Hongtao Shi, Liuyi Zhang and Fred Chang are partner consultants at Allstar Capital Inc. Yulan He was an individual finder for Allstar. Ms. He introduced UST to Allstar. Pursuant to a Revenue and Success Sharing Agreements between (i) Allsar and Hongtao Shi and (ii) Allstar and Liuyi Zhang and a Finder Agreement between Allstar and Yulan He, these individuals and companies received the following percent of cash from Allstar when it received the above described cash payments from UST:

Name of Individuals	% of Sharing
Hongtao Shi	35%
Liuyi Zhang	25%
Yulan He	15%
Allstar	25%
Total	100%

42

UST paid Allstar $75,000 after S-1 registration statement was declared effective on June 30, 2008 and $50,000 after the common stock was admitted for quotation on the Over-the-counter Bulletin Board in 2009 by FINRA. UST has satisfied all payment obligations to Allstar pursuant to agreements between UST and Allstar.

On June 19, 2007, Avenndi, LLC ("Avenndi") entered a consulting agreement with Kuong U. Avenndi is a corporate strategy and consultancy firm based in Los Angeles, California. Avenndi recommended various corporate strategies and actions aimed to improve the company's overall business image and value. Furthermore, Avenndi assisted UST in the development of a business information memorandum and executive business summary for UST. UST paid $12,000 for Avenndi's services.

On January 8, 2009, Avenndi, LLC ("Avenndi") entered a second consulting agreement with Universal Solar Technology, Inc. for continued services to assist UST to revise its business information memorandum and executive business summary. UST paid $4,000 and 5,000 common shares for Avenndi's services.

In February 2008, pursuant to the Revenue and Success Sharing Agreements between (i) Allsar and Hongtao Shi and (ii) Allstar and Liuyi Zhang, the Finder Agreement between Allstar and Yulan He, and the agreement between Allstar and Avenndi, LLC, these individuals and companies received an allocation of common shares from UST when UST issued Allstar a total 942,408 common shares as payment upon entering into the Amended and Restated Consulting Agreement.

Three of the recipients of an allocation of Allstar's common shares from UST designated a nominee controlled by them to be the record holder of the shares. Hongtao Shi, Liuyi Zhang and Allstar designated the following companies: First Prestige, Inc, JD Infinity Holdings, Inc. and Catalpa Holdings, Inc., to hold the common shares. All of these three companies are the British Virgin Islands' companies. First Prestige, Inc. is controlled by Hongtao Shi; JD Infinity Holdings, inc. is controlled by Liuyi Zhang; and Catalpa Holdings, Inc. is controlled by Fred Chang. In addition, Avenndi, LLC is controlled by John Kennedy and Allstar Capital Inc. is a Maryland registered consulting company owned by Fred Chang.

The designees listed below are the current holders of the 942,408 common shares issued by UST in June 2008:

First Prestige, Inc.	326,343
JD Infinity Holdings, Inc.	233,102
Catalpa Holdings, Inc.	233,102
Yulan He	139,861
Avenndi LLC	10,000

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Auditor Fees and Services in Our 2009 and 2008 Fiscal Years

Our registered independent public accounting firm is Paritz & Company, P.A. The fees billed by Paritz & Company, P.A. in 2009 and 2008 are as follows:

	2009	2008
Audit Fees	$ 26,000	$ 27,500
Audit-Related Fees	-	-
Total Audit and Audit-Related Fees	$ 26,000	$ 27,500
Tax Fees	-	-
All Other Fees	4,500	-

Total for independent public audit firms	$	30,050	$	27,500

Audit Fees consist of fees billed for professional services rendered for the audit of the Company's consolidated annual financial statements, and review of the interim consolidated financial statements included in quarterly reports and services that are normally provided by Paritz & Company, P.A. in connection with statutory and regulatory filings or engagements.

Audit-Related Fees include accounting consultations related to accounting, financial reporting or disclosure matters not classified as "Audit Fees." Tax Fees include tax compliance, tax advice and tax planning services. These services related to the preparation of various state and federal tax returns and review of Section 409A compliance.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) (1) Financial Statements

Set forth below is a list of our audited financial statements included in Item 8 of this annual report on Form 10-K.

Statement	Page*
Index to Financial Statements	47
Report of Independent Registered Public Accounting Firm	F-1
Balance Sheets	F-2
Statements of Operations	F-3
Statement of Changes in Stockholder’s Equity (Deficit)	F-4
Statements of Cash Flows	F-5
Notes to Financial Statements	F-6

*Page F-1 follows page 47 to this annual report on Form 10-K.

(2) Financial Statement Schedules

Schedule I: Parent Only Financial Statements (p. S-1)

(b) Index to Exhibits required by Item 601 of Regulation S-K.

Exhibit No.	Description
3.1	Articles of Incorporation(1)
3.2	Bylaws of the Company(1)
10.1	Agreement between Kuong U Science & Technology (Group) Ltd. and the Arizona Board of Regents on behalf of Arizona State University(1)
10.2	Prototype Product Development Agreement between Kuong U Science & Technology (Group) Ltd. and Zhuhai Yuemao Laser Facility Engineering Co., Ltd.(1)
10.3	Land Purchase Agreement dated December 1, 2008(2)
10.4	Sales contracts by and between the Company and Kotak Urja Private Limited dated February 26, 2009(3)

10.5	Loan Agreement dated December 1, 2009 by and between Nanyang Universal Solar Technology Co., Ltd. and Zhuhai Yuemao Laser Facility Engineering Co., Ltd.(3)
21.1	List of Subsidiaries(1)
31.1*	Certification of Principal Executive Officer and Principal Financial Officer pursuant to Rule 13a-14 and Rule 15d-14(a), promulgated under the Securities and Exchange Act of 1934, as amended*
32.1*	Certification pursuant to Section 906 of Sarbanes Oxley Act of 2002 (Chief Executive Officer and Chief Financial Officer)*

*Filed herewith

(1) Filed as exhibit to the Company’s Registration Statement on Form S-1 on May 9, 2008.

(2) Filed as exhibit to the Company’s Annual Report on Form 10-K on March 31, 2010.

(3) Filed as exhibit to the Company’s Annual Report on Form 10-K/A on December 30, 2010.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: January 31, 2011

Universal Solar Technology, Inc.

By: /s/ Wensheng Chen
Wensheng Chen
Chief Executive Officer, Interim Acting Chief Financial Officer and Chairman of the Board of Directors
(Principal Executive Officer and Principal Financial and Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

SIGNATURE	TITLE	
/s/ Wensheng Chen Wensheng Chen	CEO, Interim Acting Chief Financial Officer and Chairman (Principal Executive Officer and Principal Financial and Accounting Officer)	January 31, 2011
/s/ Ling Chen Ling Chen	Director	January 31, 2011

46

Index to Financial Statements

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors
Universal Solar Technology, Inc. and Subsidiary

We have audited the accompanying consolidated balance sheets of Universal Solar Technology Inc. and Subsidiary as of December 31, 2009 and 2008 and the related consolidated statements of operations and other comprehensive income (loss), changes in stockholders’ equity and cash flows for the years then ended. Our audit also included the financial statement Schedule I. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As shown on the accompanying balance sheet, the Company’s current liabilities exceeded its current assets by $4,353,215 and the Company has incurred net loss of $925,466 since inception. These circumstances raise substantial doubt about its ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Universal Solar Technology, Inc. and Subsidiary as of December 31, 2009 and 2008, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

/S/Paritz & Company, P.A.

Hackensack, New Jersey
March 23, 2010

UNIVERSAL SOLAR TECHNOLOGY, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31, 2009	December 31, 2008
ASSETS		
CURRENT ASSETS:		
Cash	$ 1,115,047	$ 259,025
Prepaid expenses and other current assets	319,123	26,666
Inventories	42,956	-
TOTAL CURRENT ASSETS	1,477,126	285,691
Deposits for future deliveries of property and equipment	312,362	-
Land use right, net of accumulated amortization of $11,452 and $0, respectively	411,391	423,420
Property and equipment, net of accumulated depreciation of $3,446 and $0, respectively	3,294,946	-
TOTAL ASSETS	$ 5,495,825	$ 709,111
LIABILITIES AND STOCKHOLDERS' DEFICIENCY		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 154,813	$ 42,450
Due to related parties-current portion	5,675,528	749,298
TOTAL CURRENT LIABILITIES	5,830,341	791,748
Due to related parties- non-current portion	22,485	22,485
TOTAL LIABILITIES	5,852,826	814,233
STOCKHOLDERS' DEFICIENCY:		
Preferred stock, $0.0001 par value, 10,000,000 shares authorized, 0 shares issued and outstanding	-	-
Common stock, $0.0001 par value, 90,000,000 shares authorized, issued and outstanding 22,599,974 shares and 22,574,974 shares, respectively	2,260	2,257
Additional paid-in capital	553,826	416,273
Accumulated deficit	(925,466)	(503,904)
Accumulated other comprehensive income (loss)	12,379	(19,748)
TOTAL STOCKHOLDERS' DEFICIENCY	(357,001)	(105,122)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIENCY	$ 5,495,825	$ 709,111

See notes to consolidated financial statements.

UNIVERSAL SOLAR TECHNOLOGY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

	Year Ended December 31, 2009	Year Ended December 31, 2008
SALES	$ 691,713	$ 11,454
COSTS AND EXPENSES:		
Cost of sales	619,497	10,985
Selling, general and administrative expenses	343,445	312,800
TOTAL COSTS AND EXPENSES	962,942	323,785
LOSS FROM OPERATIONS	(271,229)	(312,331)
Interest expense	(148,490)	(36,616)
Dividend and interest income	1,892	471
Gain (loss) on foreign currency transactions	(3,735)	1,483
NET LOSS	(421,562)	(346,993)
OTHER COMPREHENSIVE INCOME (LOSS):		
Foreign currency translation adjustment	32,127	(14,634)
COMPREHENSIVE LOSS	$ (389,435)	$ (361,627)
Loss per common share -basic and diluted	$ (0.02)	$ (0.02)
Weighted average number of shares outstanding -basic and diluted	22,587,988	20,997,561

See notes to consolidated financial statements.

F-3

UNIVERSAL SOLAR TECHNOLOGY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' DEFICIENCY

	COMMON STOCK		ADDITIONAL PAID-IN	ACCUMULATED	OTHER COMPREHENSIVE INCOME	
	SHARES	AMOUNT	CAPITAL	DEFICIT	(LOSS)	TOTAL
BALANCE-DECEMBER 31, 2007	20,000,000	$ 2,000	$ 128,757	$ (156,911)	$ (5,114)	$ (31,268)
Stock issued for services	942,408	94	9,330	-	-	9,424
Sale of common stock	1,632,566	163	241,570	-	-	241,733
Imputed interest on stockholder loan	-	-	36,616	-	-	36,616
Foreign currency translation adjustment	-	-	-	-	(14,634)	(14,634)
Net loss	-	-	-	(346,993)	-	(346,993)
BALANCE - DECEMBER 31, 2008	22,574,974	2,257	416,273	(503,904)	(19,748)	(105,122)
Stock issued for services	25,000	3	3,747	-	-	3,750
Imputed interest on loans from related parties	-	-	133,806	-	-	133,806
Foreign currency translation adjustment	-	-	-	-	32,127	32,127
Net loss	-	-	-	(421,562)	-	(421,562)
BALANCE - December 31, 2009	22,599,974	$ 2,260	$ 553,826	$ (925,466)	$ 12,379	$ (357,001)

See notes to consolidated financial statements.

UNIVERSAL SOLAR TECHNOLOGY INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31, 2009	Year Ended December 31, 2008
OPERATING ACTIVITIES:		
Net loss	$ (421,562)	$ (346,993)
Adjustments to reconcile net loss to net cash used in operating activities:		
Imputed interest on loans from related parties	133,806	36,616
Stock issued for services	3,750	9,424
Depreciation of property and equipment	3,446	-
Amortization of land use right	11,452	-
Changes in operating assets and liabilities:		
Prepaid expenses and other current assets	(292,457)	(26,087)
Inventory	(42,956)	-
Accounts payable and accrued expenses	112,363	75,412
NET CASH USED IN OPERATING ACTIVITIES	(492,158)	(251,628)
INVESTING ACTIVITIES:		
Deposits for future deliveries of equipment	(312,362)	-
Acquisition of property and equipment	(3,298,392)	(423,420)
NET CASH USED IN INVESTING ACTIVITIES	(3,610,754)	(423,420)
FINANCING ACTIVITIES:		
Loans from related parties	4,926,230	614,590
Sale of common stock	-	241,733
NET CASH PROVIDED BY FINANCING ACTIVITIES	4,926,230	856,323
EFFECT OF EXCHANGE RATE CHANGES ON CASH	32,704	(13,433)
INCREASE IN CASH	856,022	167,842
CASH - BEGINNING OF PERIOD	259,025	91,183
CASH - END OF PERIOD	$ 1,115,047	$ 259,025
Supplemental disclosures of cash flow information:		
Interest paid	$ -	$ -
Income taxes paid	$ -	$ -

See notes to consolidated financial statements.

UNIVERSAL SOLAR TECHNOLOGY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2009

1. BUSINESS DESCRIPTION

Universal Solar Technology, Inc. (the “Company”) was incorporated in the State of Nevada on July 24, 2007. The Company operates through its wholly-owned subsidiaries, Kuong U Science & Technology (Group) Ltd. (“Kuong U”), a company incorporated in Macau, Peoples Republic of China (“PRC”) on May 10, 2007, and Nanyang Universal Solar Technology Co., Ltd. (“NUST”), a company incorporated in Nanyang, PRC on September 8, 2008. The Company sells solar photovoltaic (“PV”) modules.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation
The consolidated financial statements include the accounts of the Company and all of its subsidiaries. All significant inter-company accounts and transactions have been eliminated. These financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America.

Currency translation
The reporting currency of the Company is the United States dollar. The functional currency of Kuong U is the Hong Kong dollar. The functional currency of NUST is the Chinese Yuan (”RMB”). Revenue and expense accounts of our two subsidiaries are translated into United States dollars at the average rates during the period, and balance sheet items are translated at year-end rates, except for equity accounts which are translated at historical rates. Translation adjustments arising from the use of differing exchange rates from period to period are included as a separate component of shareholders’ equity. Gains and losses from foreign currency transactions are recognized in current operations.
The RMB is not freely convertible into foreign currency and all foreign exchange transactions must take place through authorized institutions. No representation is made that the RMB amounts could have been, or could be, converted into USD at the rates used in translation.

Going concern
The financial statements have been prepared on a "going concern" basis, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. At December 31, 2009, the Company had negative working capital of $4,353,215 and a stockholders’ deficiency of $357,001. Further, the Company has incurred net losses of $925,466 since inception. These factors raise substantial doubt as to the Company’s ability to continue as a going concern. The Company plans to improve its financial condition by raising capital in a private placement of its securities. However, there is no assurance that the Company will be successful in accomplishing this objective. The financial statements do not include any adjustments that might be necessary should the Company be unable to continue as a going concern.

Uses of estimates in the preparation of financial statements
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of net revenue and expenses during each reporting period. Actual results could differ from those estimates.

UNIVERSAL SOLAR TECHNOLOGY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2009

Cash
The Company maintains cash with financial institutions both in the United States and the Peoples Republic of China ("PRC"). The financial institutions in PRC are not insured or otherwise protected. Should any of these institutions holding the Company's cash become insolvent, or if the Company is unable to withdraw funds for any reason, the Company could lose the cash on deposit with that institution.

Inventories
Inventories consist of raw material, work in process and supply materials which are stated at the lower of cost or market.

Property and equipment
Property and equipment are recorded at cost. Once placed in service, depreciation is provided in amounts sufficient to amortize the cost of the related assets over their useful lives using the straight line method.
Maintenance, repairs and minor renewals are charged to expense when incurred. Replacements and major renewals are capitalized.

Impairment of long-lived assets
Long-lived assets are reviewed for impairment when circumstances indicate the carrying value of an asset may not be recoverable. For assets that are to be held and used, an impairment is recognized when the estimated undiscounted cash flows associated with the asset or group of assets is less than their carrying value. If impairment exists, an adjustment is made to write the asset down to its fair value, and a loss is recorded as the difference between the carrying value and fair value. Fair values are determined based on quoted market values, discounted cash flows or internal and external appraisals, as applicable. Assets to be disposed of are carried at the lower of carrying value or estimated net realizable value.

Revenue recognition
Revenue from product sales is recognized when all of the following criteria are met: (1) persuasive evidence of an arrangement exists, (2) the price is fixed or determinable, (3) collectibility is reasonably assured, and (4) delivery has occurred. Persuasive evidence of an arrangement and fixed price criteria are satisfied through purchase orders. Collectibility criterion is satisfied through credit approvals. Delivery criterion is satisfied when the products are shipped to a customer and title and risk of loss pass to the customer in accordance with the terms of sale. The Company has no obligation to accept the return of products sold other than for replacement of damaged products. Other than quantity price discounts negotiated with customers prior to billing and delivery (which are reflected as a reduction in sales), the Company does not offer any sales incentives or other rebate arrangements to customers.

Research and development costs
Research and development costs are charged to expenses as incurred.

Deferred income taxes
The Company accounts for income taxes in accordance with Accounting Standards Codification ("ASC") 740, "Income Taxes", which requires that deferred tax assets and liabilities be recognized for future tax consequences attributable to differences between financial statement carrying amounts of existing assets and liabilities and their respective tax bases. In addition, ASC 740 requires recognition of future tax benefits, such as carry-forwards, to the extent that realization of such benefits is more likely than not and that a valuation allowance be provided when it is more likely than not that some portion of the deferred tax asset will not be realized.

F-7

UNIVERSAL SOLAR TECHNOLOGY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2009

Income (loss) per common share
Basic income (loss) per common share amounts is computed by dividing net income by the weighted-average number of shares of common stock outstanding during the period. Diluted income (loss) per common share are calculated using weighted-average shares outstanding, adjusted for the dilutive effect of shares issuable upon the assumed exercise of common stock equivalents. As of December 31, 2009 and 2008 there were no common stock equivalents outstanding.

Comprehensive income (loss)
Comprehensive income (loss) is defined to include all changes in equity except those resulting from investments by shareholders and distributions to shareholders. Among other disclosures, all items that are required to be recognized under current accounting standards as components of comprehensive income (loss) are required to be reported in a financial statement that is presented with the same prominence as other financial statements. Comprehensive income includes net income (loss) and the foreign currency translation adjustment, net of tax.

Fair value of financial instruments
The Company's financial instruments consist of cash, prepaid expenses, inventories, accounts payable and accrued expenses, and due to related parties. The fair value of these financial instruments approximate their carrying amounts reported in the balance sheets due to their short term maturity.

New accounting pronouncements
In August 2009, the FASB updated the accounting standards to provide additional guidance on estimating the fair value of a liability in a hypothetical transaction where the liability is transferred to a market participant. The standard is effective for the first reporting period, including interim periods, beginning after issuance. The Company does not expect the adoption to have a material effect on its consolidated results of operations and financial condition
In June 2009, FASB established Accounting Standards Codification TM ("ASC") as the single source of authoritative accounting principles recognized by the FASB in the preparation of financial statements in conformity with the GAAP. The Codification supersedes all non-SEC accounting and reporting standards. All other non-grandfathered non-SEC accounting literature not included in the Codification are non-authoritative. The Codification was effective for financial statements issued for interim and annual periods ending after September 15, 2009. We adopted the new guidance for the quarter ended September 30, 2009, which changed the way we reference accounting standards in our disclosures. Adoption of the Codification is not expected to have a material impact on the Company's results of operations or financial position.
In May 2009, FASB issued new guidance establishing general standards of accounting for disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued, or subsequent events. An entity should apply the requirements to interim or annual financial periods ending after June 15, 2009. Adoption of this standard does not have a material impact on the Company's results of operations or financial position.

UNIVERSAL SOLAR TECHNOLOGY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2009

3. LAND USE RIGHT

On December 1, 2008, NUST acquired the right to use a parcel of land approximating 71,280 square meters for forty (40) years for its office and production facilities from the local government in the PRC. The cost of RMB 2,886,300 ($422,843 translated at the December 31, 2009 exchange rate) is being amortized using the straight line method over the 40 year term of the contract.

4. PROPERTY AND EQUIPMENT

As of December 31, 2009, property and equipment, net, consist of:

Building construction in progress	$	1,019,760
Production equipment		2,219,913
Office equipment		11,123
Automobile		47,596
Total		3,298,392
Less accumulated depreciation		3,446
Property and equipment- net	$	3,294,946

The plant construction was completed in January 2010 and government approvals are expected by March 2010.

5. DEPOSIT FOR FUTURE DELIVERIES OF PROPERTY AND EQUIPMENT
As of December 31, 2009, NUST has contracted to acquire certain undelivered production equipment costing a total of approximately 6,539,600 RMB ($958,051 translated at the December 31, 2009 exchange rate). The agreements provide for NUST's payment of certain deposits prior to the delivery of the equipment. As of December 31, 2009, a total of approximately 2,132,167 RMB ($312,362 translated at the December 31, 2009 exchange rate) has been paid to the respective vendors as deposits.

UNIVERSAL SOLAR TECHNOLOGY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2009

6. DUE TO RELATED PARTIES

Due to related parties consists of:

	December 31, 2009	December 31, 2008
Due to Company's chairman and chief executive officer, non-interest bearing, due on demand (interest imputed at 5%)	$ 2,185,219	$ 698,836
Due to Zhuhai Yuemao Laser Facility Engineering Co., Ltd. ("Yuemao Laser") with non interest bearing and due on demand.	238,009	50,462
Loan payable to Yuemao Technology Ltd. ("Yuemao Technology') (See note 7)	3,252,300	
Due to Company's chairman and chief executive officer pursuant to loan agreement dated November 2, 2008, interest at 5%, due November 1, 2013	22,485	22,485
Total	5,698,013	771,783
Current portion	(5,675,528)	(749,298)
Non-current portion	$ 22,485	$ 22,485

Both Yuemao Laser and Yuemao Technology are PRC companies and controlled by the Company's chairman and chief executive officer.

7. RELATED PARTY TRANSACTIONS

In the year ended December 31, 2009, Kuong U purchased solar PV modules from Yuemao Laser, a PRC company controlled by the Company's chairman and chief executive officer, at a total cost of $619,497 and sold the modules to two customers for total sales of $ 691,713. In 2008, the Company purchased solar panels totaling $10,985 from a company owned by the Company's chairman and chief executive officer.

UNIVERSAL SOLAR TECHNOLOGY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2009

Kuong U rents its executive office space from the daughter of the Company's chairman and chief executive officer under a four-year contract, expiring April 30, 2011 which provides for monthly rent is HKD 12,000 (approximately $1,547 translated at the December 31, 2009 exchange rate). Rent expense for the years ended December 31, 2009 and 2008 was approximately $17,500 and $15,500, respectively.

On December 1, 2009, NUST entered into a RMB 22,200,000 ($3,252,300 translated at the December 31, 2009 exchange rate) loan agreement with Yuemao Technology, a PRC company controlled by the Company's chairman and chief executive officer. Loans previously provided to NUST without interest and with no maturity were revised to provide for interest at a rate prevailing for comparable one year loans and a maturity date of June 1, 2010 to December 1, 2012 at Yuemao's discretion. For the period December 1, 2009 to December 31, 2009 interest was accrued at 5%.

8. MAJOR CUSTOMER

In the year ended December 31, 2009, one customer located in India accounted for approximately 92% of sales. Under the terms of these sales, the Company is obligated to replace nonworking modules for a period of one year from the date of deliveries. This is a one-time order and are not dependent on this customer for future revenues.

9. INCOME TAXES

The Company has not recorded a provision for United States federal income tax for the periods presented since it incurred net losses in such periods.

The Company's Chinese subsidiaries are governed by the Income Tax Law of the People's Republic of China concerning private enterprises, which are generally subject to tax at a statutory rate of 25% on taxable income.

As of December 31, 2009, the Company had approximately $110,000 and $440,000 of net operating loss carry-forwards for income tax purposes in the United States and China, respectively.

Based on management's present assessment, the Company has determined it to be more likely than not that a deferred tax asset attributable to the future utilization of the net operating loss carry-forward as of December 31, 2009 will be realized. Accordingly, the Company has provided a 100% allowance against the deferred tax asset in the financial statements at December 31, 2009. The Company will continue to review this valuation allowance and make adjustments as appropriate.

10. COMMITMENTS AND CONTINGENCIES

Prototype product development agreement

On April 29, 2008, Kuong U entered into an agreement with Yuemao Laser whereby Yuemao Laser is to develop certain prototype solar energy products for Kuong U. Under the agreement, Kuong U is obligated to pay a royalty fee quarterly to Yuemao Laser equal to 1% of Kuong U's sales from the prototype products.

UNIVERSAL SOLAR TECHNOLOGY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2009

Vulnerability due to operations in PRC

The Company's operations may be adversely affected by significant political, economic and social uncertainties in the PRC. Although the PRC government has been pursuing economic reform policies for more than 20 years, there is no guarantee that the PRC government’s pursuit of economic reforms will be consistent or effective.

The PRC has adopted currency and capital transfer regulations. These regulations require that the Company comply with complex regulations for the movement of capital. Because most of the Company’s future revenues will be in RMB, any inability to obtain the requisite approvals, or any future restrictions on currency exchanges, will limit the Company’s ability to fund its business activities outside China or to pay dividends to its shareholders.

The Company’s assets will be predominantly located inside China. Under the laws governing foreign invested enterprises in China, dividend distribution and liquidation are allowed, but subject to special procedures under the relevant laws and rules. Any dividend payment will be subject to the decision of the board of directors and subject to foreign exchange rules governing such repatriation. Any liquidation is subject to both the relevant government agency’s approval and supervision, as well as the foreign exchange control.

In addition, the results of business and prospects are subject, to a significant extent, to the economic, political and legal developments in China.

While China’s economy has experienced significant growth in the past twenty years, growth has been irregular, both geographically and among various sectors of the economy. The Chinese government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures benefit the overall economy of China, but may also have a negative effect on the Company. The Company’s sales and financial condition may be adversely affected by the government control over capital investments or changes in tax regulations.

Foreign companies conducting operations in the PRC face significant political, economic and legal risks. The Communist regime in the PRC includes a stifling bureaucracy which may hinder Western investment. Any new government regulations or utility policies pertaining to the Company’s PV products may result in significant additional expenses to the Company, Company distributors and end users and, as a result, could cause a significant reduction in demand for the Company’s PV products.

11. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through the filing date of this Form 10-K and has determined that there were no subsequent events to recognize or disclose in these financial statements.

Schedule I: Condensed Parent Only Financial Statements

UNIVERSAL SOLAR TECHNOLOGY, INC.
BALANCE SHEETS

	December 31, 2009	December 31, 2008
Assets		
Cash	$ 20,965	$ 1,745
Deposit	-	22,500
Total Assets	20,965	24,245
Liabilities and Shareholders' Deficiency		
Investment in and advances to Subsidiaries	354,357	106,882
Accrued expenses	1,124	
Due to Shareholders	22,485	22,485
Total Liabilities	377,966	129,367
Shareholders' Deficiency:	(357,001)	(105,122)
Total Liabilities And Stockholders' Deficiency	$ 20,965	$ 24,245

S-1

UNIVERSAL SOLAR TECHNOLOGY, INC.
STATEMENT OF OPERATIONS

	Year Ended December 31, 2009	Year Ended December 31, 2008
Loss from investment in subsidiaries	$ (304,616)	$ (347,043)
Cost And Expenses:		
Selling, General And Administrative Expenses	116,946	-
Total Costs And Expenses	116,946	(347,043)
Net Loss	$ (421,562)	$ (347,043)

S-2

UNIVERSAL SOLAR TECHNOLOGY, INC.
STATEMENT OF CASH FLOWS

	Year Ended December 31, 2009	Year Ended December 31, 2008
OPERATING ACTIVITIES:		
Net Loss	$ (421,562)	$ (347,043)
Adjustments to reconcile net loss to net cash used in operating activities:		
Loss from investment in subsidiaries	304,616	347,043
Stock based compensation	3,750	
Changes in operating assets and liabilities:		
Prepaid expense and other current assets	22,500	(22,500)
NET CASH USED IN OPERATING ACTIVITIES	(90,696)	(22,500)
INVESTING ACTIVITIES:		
(Investment in) repayment from subsidiaries	109,916	(240,000)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	109,916	(240,000)
FINANCING ACTIVITIES:		
Loan from shareholder		22,485
Sale of common stock	-	241,733
NET CASH PROVIDED BY FINANCING ACTIVITIES	-	264,218
EFFECT OF EXCHANGE RATE CHANGES ON CASH	-	27
INCREASE IN CASH	19,220	1,745
CASH - BEGINNING OF YEAR	1,745	-
CASH - END OF YEAR	$ 20,965	$ 1,745

S-3