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Trony Solar Holdings Company Limited
創益太陽能控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(stock code: 2468)

**UPDATE ON RECENT DEVELOPMENT ON SUSPENSION OF TRADING –
COMPLETION OF THE FORENSIC REVIEW;
DELAY IN PUBLICATION OF OUTSTANDING RESULTS ANNOUNCEMENTS AND
FINANCIAL REPORTS
AND
UPDATE ON LITIGATION AGAINST FORMER EMPLOYEE IN US**

Reference is made to the announcements of Trony Solar Holdings Company Limited (the “**Company**”) dated 16 November 2012, 8 January 2013, 28 February 2013, 9 May 2013, 18 July 2013, 4 September 2013, 4 December 2013, 16 January 2014, 17 February 2014, 2 April 2014, 29 May 2014, 24 June 2014, 20 August 2014 and 9 October 2014 (the “**Announcements**”) in relation to, among other things, (i) the delay in the publication of the 2011/2012 Annual Results Announcement and the 2011/2012 Annual Report; (ii) the delay in the publication of the 2012/2013 Interim Results Announcement and 2012/2013 Interim Report; (iii) the delay in the publication of the 2012/2013 Annual Results Announcement and the 2012/2013 Annual Report; (iv) the delay in the publication of the 2013/2014 Interim Results Announcement and the 2013/2014 Interim Report; (v) the delay in the publication of the 2013/2014 Annual Results Announcement and the 2013/2014 Annual Report; and (vi) the update on recent development on suspension of trading.

Unless the context otherwise requires, capitalised terms used in this announcement shall have the same meanings as defined in the Announcements.

COMPLETION OF THE FORENSIC REVIEW

The Board would like to update the Shareholders that King & Wood Mallesons was engaged by the Independent Review Committee of the Company as its legal advisor in relation to the potential discrepancies in the financial records of the Company (the “**Potential Financial Discrepancies**”). PricewaterhouseCoopers Consulting Hong Kong Limited (“**PwC**”) was in turn appointed by King & Wood Mallesons to assist them to conduct a forensic review of the Potential Financial Discrepancies. PwC completed the fieldwork of the Forensic Review in respect of the Potential Financial Discrepancies on 31 July 2013 and a summary of the findings of the Forensic Review (the “**Forensic Review Summary**”) was finalised and issued by PwC to King & Wood Mallesons on 6 November 2014.

SCOPE OF THE REVIEW

The Allegations

The existing auditor of the Company received several anonymous emails in March 2012 and an anonymous letter in April 2012. The anonymous emails and letter contain the following major allegations:

1. The financial statements published by the Company before and after its initial public offering of its shares (“**IPO**”) are fake;
2. The sales revenues should only be RMB87 million in 2011 (compared to RMB1,962 million as reported in the Company’s financial statements for the year ended 30 June 2011);
3. Mr. Li Yi (“**Mr. Li**”), the chairman and chief executive officer of the Company, has provided the existing auditor and regulatory body with fictitious information including fictitious customers and suppliers and fictitious tax payment information; and
4. Fictitious tax information relating to Shenzhen Trony Science and Technology Development Company Limited 深圳市創益科技發展有限公司 (“**Shenzhen Trony**”), the operating subsidiary of the Company in Shenzhen, was provided to the existing auditor in the course of their previous audits from 2009 to 2011. No tax payment was made by the Company in 2010.

Apart from the above allegations, the existing auditor was provided with the names of the customers (the “**Specified Customers**”) and vendors/suppliers of the Company (the “**Specified Suppliers**”) which were alleged to have provided fictitious information as mentioned in item 3 above.

Further Allegations

After the commencement of PwC’s fieldwork for the Forensic Review, an anonymous caller and certain former employees of the Company (altogether, the “**Sources**”) contacted PwC and made other allegations about the Company. PwC does not know whether any of these people is the same person who sent the allegations to the existing auditor but some of the issues raised by them are similar to the previous allegations. The key allegations from them are as follows:

1. Funds were transferred from one of the Company’s subsidiaries, True Solar USA Inc. (“**True Solar USA**”), to a number of US investment vehicles owned by Fei Lan Lan including United Energy Foundation and HLM Investment;
2. The Company does not have sufficient knowledge in solar technology, and products produced by the Company have never reached the conversion efficiency as claimed;
3. The production level of the Company’s factories could not have supported the reported sales as they did not have the required level of labour and machinery; and
4. They did not notice a significant increase in the equipment purchased by the Company since the public announcement made on 22 July 2011 about an equipment purchase contract entered into between Shenzhen Zhongpu Industrial Co., Ltd. 深圳市中蒲實業有限公司 (“**Zhongpu**”) and Shenzhen Trony on 19 October 2010 in relation to the supply of a 60MW amorphous silicon solar cell production line to Shenzhen Trony amounting to RMB502 million.

Scope of Work

In light of the abovementioned circumstances, PwC carried out the Forensic Review of the Potential Financial Discrepancies which includes the following scope of work:

1. Review the report that was issued by the PRC law firm (the “**PRC Lawyer**”) on 8 June 2012 (the “**PRC Lawyer Report**”) to understand the procedures performed and findings of the PRC Lawyer as set out in the PRC Lawyer Report and to assess whether any changes to the proposed scope of work are required (despite repeated requests from PwC, this report was only made to them on 4 December 2013 after consent from the PRC Lawyer for releasing the PRC Lawyer Report to PwC had been obtained);
2. Contact the sender of the anonymous emails to the existing auditor (the “**Whistleblower**”) on the address used and conduct an initial interview with him/her to establish further details of the allegations and obtain additional information;
3. In respect of the Company’s customers and sales:
 - Discuss with relevant personnel to understand the Company’s sales related processes and procedures;
 - Perform high level review of the sales transactions of the Company to identify the total value of transactions entered into by the Company with the Specified Customers and to identify the major customers with the highest value of sales transactions;
 - Select samples of transactions entered with the Specified Customers and other major customers and review the supporting documents including sales contracts, sales invoices, payment records, shipping/delivery notes and other relevant documents of the sampled transactions to identify indications of suspicious activities;
 - Verify and validate the sampled sales invoices with the local tax bureaus;
 - Perform searches of publicly available companies registry information on the Specified Customers and other major customers to verify the existence of the companies and to identify any apparent connections or relationship with the management and employees of the Company;
 - Conduct site visit to the offices of the Specified Customers and other major customers to verify their existence;
 - Perform interview with the relevant personnel of the Specified Customers and other major customers to understand more about their transactions entered with the Company; and
 - Seek to obtain direct confirmations from the Specified Customers and other major customers to verify their accounts receivable balances and the total value of the contracts entered into by the Company with them;

4. In respect of the Company's vendors/suppliers and purchasers:

- Discuss with the relevant personnel to understand the Company's purchasing and disbursement processes and procedures;
- Perform high level review of the purchase records of the Company to identify the total value of transactions entered into by the Company with the Specified Suppliers and to identify the other major vendors/suppliers with the highest value of transactions;
- Select samples of transactions entered with the Specified Suppliers and other major vendors/suppliers and review the supporting documents including purchase contracts, purchase orders, invoices, inventory records, payment records and other relevant documents of the sampled transactions to identify indications of suspicious activities;
- Verify and validate the sampled vendor/supplier invoices with the local tax bureaus;
- Perform searches of publicly available companies registry information on the Specified Suppliers, and other major vendors/suppliers to verify the existence of the companies and to identify any apparent connections or relationship with the management and employees of the Company;
- Conduct site visit to the offices of the Specified Suppliers and other major vendors/suppliers to verify their existence;
- Perform interview with the relevant personnel of the Specified Suppliers and other major vendors/suppliers to understand more about their transactions entered with the Company; and
- Seek to obtain direct confirmations from the Specified Suppliers and other major vendors/suppliers to verify their accounts payable balances and the total value of the contracts entered into by the Company with them;

5. In respect of the tax issues relating to Shenzhen Trony:

- Obtain the monthly tax filings of Value Added Tax ("VAT") and Enterprise Income Tax ("EIT") and the corresponding remittance record of the relevant tax payments made by Shenzhen Trony;
- Conduct visit to local tax bureaus with relevant personnel to obtain the filings of VAT and EIT that were made by Shenzhen Trony to the tax authority and the relevant tax payment records; and
- Review the tax filings of VAT and EIT and the tax payment records that are provided by Shenzhen Trony, the Whistleblower and the tax bureau to identify any inconsistencies;

6. In respect of the cash position of the Company:

- Obtain a complete list of bank accounts of the Company and its subsidiaries (the "Group") and their respective general ledger account balances as of 30 June 2012, 31 December 2011 and 30 June 2011, and review and identify key bank accounts with significant balances;

- Obtain direct confirmations of the account balances as of 30 June 2012 and bank statements from 1 July 2012 to the date of obtaining confirmations for the key bank accounts in China and Hong Kong from banks;
 - Review bank statements, bank reconciliations and any detail supporting schedules of the key bank accounts from 1 July 2011 to 30 June 2012;
 - Identify any discrepancy of bank/cash balances between the bank statements/bank confirmations and the Company's book for any key bank accounts, and understand and report on the reasons for any discrepancy noted;
 - Review and analyse cash movements from 1 October 2010 to 31 August 2012 and identify major cash payments and/or receipts; and
 - Select samples of payments and/or receipts for each identified key bank account and review the supporting documents to understand the nature of the transactions and to identify indications of suspicious activities;
7. Secure and review available electronic data including user files, emails, network files and data, information technology system data, personal digital assistant/Blackberry or other mobile devices which are the property of the Company and other information to retrieve any relevant information relating to the allegations; and
 8. Conduct interviews with the relevant personnel to obtain explanations or clarifications of the issues identified during the review.

SUMMARY OF FINDINGS

A summary of key findings of the Forensic Review is set out below:

1. Financial Data

PwC discovered three sets of books and records of Shenzhen Trony, which comprise the vast majority of the Group's business, assets and liabilities. The figures in such three sets of books and records are significantly different from each other, including but not limited to cash and bank, sales and purchases and amounts of tax paid by Shenzhen Trony. The 1st set of books and records (the "**1st Set of Books**") comprise the books and records of the Company and most of its subsidiaries including Shenzhen Trony. The figures in the 1st Set of Books relating to Shenzhen Trony are consistent with the figures in Shenzhen Trony's accounts audited by the PRC local auditors. The figures in the 2nd set of the books and records (the "**2nd Set of Books**") are close to Shenzhen Trony's figures in the accounts audited by the existing auditor and the published interim accounts of the Company. The 3rd set of books and records (the "**3rd Set of Books**") only contains sales, purchases and inventory information of Shenzhen Trony. The total amount of Shenzhen Trony's sales including output VAT in 2011 as shown in the 3rd Set of Books is close to the sales figure claimed in the allegations and much lower than the amounts shown in the 1st Set of Books and the 2nd Set of Books.

Set out below is a high level comparison of data in the 1st Set of Books and the 2nd Set of Books appended to the Forensic Review Summary:

Books & Records of Shenzhen Trony	As at 31 Dec 2010 RMB (in million)			As at 31 Dec 2011 RMB (in million)		
	1st Set (A)	2nd Set (B)	Difference (B)-(A)	1st Set (A)	2nd Set (B)	Difference (B)-(A)
Cash	76.4	176.1	99.7	128.3	533.2	404.9
Fixed Assets and Construction	372.5	910.5	538.0	708.1	1,495.0	786.9
Intangible Assets	9.5	7.4	(2.1)	15.9	14.3	(1.6)
Other Assets*	157.7	945.0	787.3	189.9	478.5	288.6
Total Assets	616.1	2,039.0	1,422.9	1,042.2	2,521.0	1,478.8
Less: Total Liabilities*	(271.4)	(676.9)	405.5	(486.7)	(477.1)	(9.6)
Net Assets/Shareholders' Equity	344.7	1,362.1	1,017.4	555.5	2,043.9	1,488.4

Books & Records of Shenzhen Trony	Jan – Dec 2010 RMB (in million)			Jan – Dec 2011 RMB (in million)		
	1st Set (A)	2nd Set (B)	Difference (B)-(A)	1st Set (A)	2nd Set (B)	Difference (B)-(A)
Revenue	200.3	1,665.3	1,465.0	198.5	1,660.9	1,462.4
Less: Cost of sale	(173.1)	(928.6)	755.5	(160.2)	(1,077.7)	917.5
Other Income	27.0	1.0	(26.0)	16.9	30.6	13.7
Less: Admin/Finance/Other Expenses	(43.5)	(50.5)	7.0	(42.0)	(46.8)	4.8
Less: Tax	(1.8)	(103.0)	101.2	(2.4)	(85.1)	82.7
Less: Prior year adjustment	–	–	–	–	(0.1)	0.1
Net Profit	8.9	584.2	575.3	10.8	481.8	471.0

*Note: Other Assets include different assets items, such as account receivables, prepayment, inventory, raw material, deferred expenses, and long term investments. Liabilities include different liabilities items, such as account payables and long term loan.

PwC sought explanations from the Company's personnel regarding the differences in the three sets of books and records, including (i) Mr. Henry Huang ("Mr. Huang"), executive vice president of the Company, who replied that after joining the Company in February 2012, he had no involvement in the finance function which was handled by the chief financial officer. Mr. Huang said that he does not know the number of the books and records the Company has, but he did not think that the Company have different sets of books and records; (ii) Mr. Li, chairman and chief executive officer of the Company, who replied that he has little knowledge of the financial information of the Group and did not receive financial information on a regular basis. Mr. Li said that he was only aware of the discrepancies of financial information when the internal investigation on the accounts was initiated; (iii) Mr. Liang Zhihao ("Mr. Liang"), chief financial officer of the Company, who replied that he started to take over the financial matters of Shenzhen Trony in around February 2012 when Mr. Liang Liguang, the ex-financial controller was about to leave the Company. Mr. Liang said that prior to that, he was responsible for consolidation of the Company's accounts based on the financial information provided by Mr. Liang Liguang and other accounting personnel. Mr. Liang said that he was aware of both the 1st Set of Books and the 2nd Set of Books but he did not know the reasons for the differences

or how they were come up with. Mr. Liang further said that Mr. Liang Liguang had not responded to his (Mr. Liang's) request to provide explanations for the differences when Mr. Liang Liguang left the Company; and (iv) other accounting personnel who said that they have been using the 1st Set of Books for daily bookkeeping and denied knowledge of the existence of or having access to the 2nd Set of Books. However, PwC noted from the access log of the 2nd Set of Books that the user IDs of some of these accounting personnel appeared to have been used to access the system.

PwC was unable to (i) reconcile the figures in these three sets of books and records and with the Company's audited financial statements; and (ii) verify which set of books and records, if any, contains the real numbers.

2. Cash and Bank

PwC carried out bank confirmations for 68 bank accounts of the Group (of which majority of the cash was held by Trony Solar Holdings (Hong Kong) Limited), which represents over 96% and 81% of the total bank balances as at 31 December 2011 and 31 October 2012 respectively in the 1st Set of Books. Based on the confirmations obtained from the banks, the bank balances of the Group amounted to approximately RMB521 million and RMB288 million as of 31 December 2011 and 31 October 2012 respectively. This appears to be consistent with the information shown in the 1st Set of Books. However, the total cash and bank balances shown in the published interim results of the Company (which was prepared based on the 2nd Set of Books) was approximately RMB983 million as at 31 December 2011 which is significantly higher than the total amount as shown by the bank confirmations. PwC also conducted a high level analysis of the funds inflow and outflow for the period from 1 January 2011 to 31 December 2011 in order to understand the differences in the transactions recorded in the 1st Set of Books and the 2nd Set of Books. The largest discrepancies appear to be attributed to the sales receipts and purchases of materials and components.

PwC was unable to obtain any explanations about the identified differences from its interviews with the Company's management and personnel. Mr. Liang said that he did not know the reasons for the discrepancies. Mr. Li said that he only focused on the research and development area and would not review financial figures until the board meeting at year end.

Based on the 1st Set of Books, PwC conducted a high level review of the Group's cash and bank movements from 1 October 2010 to 31 August 2012 in order to identify the usage of the proceeds from the IPO. According to the general ledgers during the period, the total amount of inflow was approximately RMB1.68 billion, including the proceeds from the IPO of approximately RMB1.24 billion and sales receipts of approximately RMB233 million. Total amount of outflow was approximately RMB1.27 billion, including approximately RMB734 million for purchasing raw materials, components, equipment and factory or office infrastructure. PwC has tried to obtain the payment transaction documents from the relevant banks for any payment of over RMB5 million. However the banks in China do not provide such documents and those PwC obtained from the banks in Hong Kong are mostly related to funds transfers within the Group. PwC has obtained and reviewed certain supporting documents from the Company for the payments made, however there is a lack of supporting documents for about half of the samples that they have selected. Therefore PwC has not been able to access the validity or the beneficiaries of the payments made.

PwC selected 365 cash payments or receipts samples amounting to approximately RMB1,343 million from the 1st Set of Books. Of these 365 samples, the Company was only able to provide PwC with “third party” documents (including physical/internet bank slips, bank tax payment vouchers and bank deposit receipts) showing the payers/payees for 171 samples amounting to approximately RMB455 million. Out of these 171 samples, the names of payers/payees for 147 samples amounting to approximately RMB399 million appear to be consistent with the information recorded in the 1st Set of Books. The lack of supporting “third party” documents limits the ability of PwC to confirm the identity of the sources/beneficiaries of these funds.

3. Sales and Purchases

There are significant differences in the amounts of sales and purchases of raw materials among the three sets of books and records. There is no consistent list of customers and suppliers across the three sets of books and records. Even for the customers and suppliers appearing in all three sets of books and records, their transactions amounts are different across the three sets of books and records.

PwC selected samples of sales and purchases from the 1st Set of Books as the Company indicated to them that it has been keeping the accounting vouchers and supporting documents according to the 1st Set of Books. PwC sampled 169 sales transactions amounting to approximately RMB399 million and were not provided with “third party” documents from customers or shippers to support the transactions. Some documents from third parties were found to confirm the receipt of funds for 23 sales transactions amounting to approximately RMB14 million. PwC also sampled 197 purchase transactions amounting to RMB205 million, and was provided with “third party” documents from suppliers or shippers for 127 transactions amounting to RMB112 million and documents from third parties to confirm payments for 79 purchases amounting to RMB33 million. The lack of supporting documents for some of the sales and purchases transactions has limited the ability of PwC to confirm the existence of such sales and purchases transactions. The Company management explained that some of the supporting documents for such sales and purchases transactions might have been destroyed or taken away by certain former employees of the Company (including but not limited to the individuals mentioned in the PRC Lawyer Report) and some documents might be lost during the transfers between the office and factory of the Group. However, the former employees that PwC has been able to contact denied having destroyed or taken away any of the Company’s documents. PwC has not been able to verify the explanations provided by both the management of the Company and the individuals PwC was able to contact.

PwC has also made comparisons of total transaction amounts in respect of the Specified Customers and the Specified Suppliers from 2008 to 2011 and the top 10 customers (the “**Major Customers**”) and the top 10 suppliers (the “**Major Suppliers**”) according to the 1st Set of Books in 2010 and 2011 based on the three sets of books and records. The transactions amounts in respect of the Specified Customers/Suppliers and the Major Customers/Suppliers for both sales and purchases transactions as shown in the 2nd Set of Books are significantly higher than those shown in the 1st Set of Books and 3rd Set of Books.

As there are different ways of recording the transactions in the three sets of books and records, PwC was unable to confirm whether certain transactions in one set of books and records may also appear in another set.

Out of the 20 customers PwC visited, it could not locate five of them, while out of 22 suppliers it visited, it could not locate five of them. PwC therefore could not confirm the existence of those entities that could not be located.

From the electronic data review, PwC has located certain documents in the Company computers used by various staff of the Company, which suggest that some of the Company's customers and suppliers may not be independent of the Company. These documents appear to be internal information or appear to be the internal documents of these customers and suppliers. These include two Specified Customers, one Major Customer and one Specified Supplier.

Ten name matches were noted between the former or current employees of the Company and the personnel or shareholder of an entity, which is one of the Major Customers and the Specified Suppliers or its related entities based on the company searches. PwC, however, was unable to confirm whether the persons relating to such entity are the same persons as the former or current employees of the Company as the identification card numbers of the persons related to such entity are not available to them from the company searches.

4. Tax

There are significant differences in the amounts of EIT and VAT payments by Shenzhen Trony in 2010 and 2011 between the tax payment certificates obtained from the relevant tax bureau's website by the Company and the figures provided by the Company to the existing auditor during their previous audit. The EIT and VAT payment amounts shown in the 1st Set of Books are close to the amounts stated in the tax payment certificates obtained from relevant tax bureau's website by the Company, the tax payment certificates provided by the person(s) who made the allegations and the EIT and VAT tax filings and bank slips regarding tax payments as obtained from the Company. The amounts of EIT and VAT paid to the tax bureau shown in the 2nd Set of Books, which are significantly higher than those shown in the 1st Set of Books, are consistent with the figures provided by the Company to the existing auditor for their previous audit.

The existing auditor told PwC that they had already returned the relevant documents to the Company at the end of the audit fieldwork and could not provide it with such documents. When asked about the discrepancies in the tax information, Mr. Li told PwC that he does not have much knowledge about the tax matters of the Company and Mr. Liang told PwC that he could not explain the discrepancies nor have knowledge about the tax figures. During the course of their electronic data review, PwC noted a draft minute of a board meeting on 21 May 2012 which shows that the relevant tax payment documents were provided by Mr. Liang to the existing auditor. When shown with this document, Mr. Liang claimed that he might be the one who provided tax information to the existing auditor, but the source of information was from Mr. Liang Liguang. Mr. Liang also said that he was unable to retrieve any tax information he previously provided to the existing auditor as his computer had been changed after he left the Company in April 2012 and he started to use a new computer when he rejoined the Company in August/September 2012.

PwC was unable to ascertain why there are such huge differences in the tax payments between the 1st Set of Books and the 2nd Set of Books and why the amounts previously provided to the existing auditor by the Company are significantly higher than the amounts stated in the tax payments certificates.

5. Electronic Data Review

During the electronic data review of the computers of certain Company's personnel and email server, PwC identified certain documents which may be relevant to the issues under review, some of those are highlighted below:

- (a) Excel files that contain profit and loss accounts which appear to match with the sales in the 3rd Set of Books. The worksheets in these files contain the titles such as "2011 Actual Profit & Loss Account".
- (b) An email from Mr. Hu Shengming ("Mr. Hu"), director of research and development and chief technology officer of the Company, to Mr. Huang and copied Mr. Liu Bin (Vice General Manager) which suggests that certain company personnel or management knew the Company was not producing at the level it claimed.
- (c) An email from Ms. Lin Ling (tax accountant) to Mr. Wang Wen which appears to suggest that the Company has different versions of audited financial statements from 2009 to 2011.
- (d) Two emails suggest that Sung Goji was the assistant of the Company's former Independent Non-Executive Director (the "INED") Che Shujian at least from January 2011 to February 2012. According to company searches, Sung Goji is a director of a Specified Customer as at 28 January 2012 and a director and sole shareholder of a Specified Supplier from January 2009 to October 2011, whilst Che Shujian was the INED of the Company during the period from 13 September 2010 to 7 February 2013. Two other emails show that Fei Lan Lan may be connected to a Specified Supplier.
- (e) Documents were found in certain employee's company computers which suggest that some of the customers and suppliers of the Company may not be independent of the Company as these documents appear to contain the internal information or appear to be the internal documents of these customers and suppliers, including:
 - (i) bank account details (including bank account balances and movements)/draft invoices and packaging lists of these entities;
 - (ii) a document referring to the handover of a number of company chops of some of the customers and suppliers along with some of the chops of the Company's subsidiaries and personal chop of Mr. Li; and
 - (iii) documents suggesting that the Company's personnel represented a customer to conduct business with other entities.
- (f) Various emails with attachments containing discussions about borrowing raw materials from suppliers to fulfill the requirement of the stock takes for audit purpose as of June 2010, December 2010 and June 2011. These documents appear to suggest that the Company may not have had sufficient stock level as claimed when the stock takes were conducted.

Most of the Company's personnel that PwC has interviewed denied having knowledge of the above issues or having seen the above documents. PwC was also told that some of the issues might be handled by the individuals mentioned in the PRC Lawyer Report, namely the ex-Financial Controller Liang Liguang and three ex-employees in the sales department, namely Wu Guoliang, Li Xuelin and Zhou Yan, or other personnel who have left the Company.

6. Transfer of Company's Assets to USA and Purchase of Fixed Assets

PwC was unable to confirm whether funds were transferred to the entities alleged by the Sources. PwC identified major amounts transferred from Sure Goal Limited, a subsidiary of the Company, to True Solar USA, but cannot confirm whether monies have been transferred from True Solar USA to the entities alleged due to the lack of any description in the True Solar USA's accounts. PwC made enquiries with Citibank and Wells Fargo. Wells Fargo confirmed that there were no transactions between True Solar USA and United Energy Foundation or HLM Investments from July 2012 to September 2013. Citibank also confirmed that there were no transactions between True Solar USA and United Energy Foundation or HLM Investments since account opening on 25 October 2011 to 7 September 2013.

PwC noticed that True Solar USA and HLM Investment (which is held by Fei Lan Lan) share the same address based on the information found on the internet. Mr. Li said that he had borrowed the address from Fei Lan Lan as he does not have a social security number for the registration of an address in the US.

On 22 July 2011, an announcement was issued by the Company disclosing an equipment purchase contract entered into between Zhongpu and Shenzhen Trony on 19 October 2010 for supplying a 60MW amorphous silicon solar cell production line to Shenzhen Trony amounting to RMB502 million. Based on company searches performed, Zhongpu's scope of business does not appear to include supplying the type of production line as described in the contract, and the total sales shown in Zhongpu's financial statements were approximately RMB15 million for each of 2010 and 2011, which were significantly lower than the contract sum.

It was stated in the Company's announcement that approximately RMB282 million of the consideration had been paid as at the date of the announcement. However, based on the 1st Set of Books, PwC was only able to identify a total transfer of USD4.5 million (equivalent to approximately RMB35 million) from the Group to Zhongpu from December 2010 to August 2012. Mr. Li said that the purchase was to support the expansion of the business, but the Company did not fulfil the whole contract due to a market downturn in the second half of 2011. Mr. Liang Zhihao said that he was not aware of this purchase contract until he was notified by the existing auditor in early 2011. Mr. Liang said he did not know who was responsible for the purchase, but it was Liang Liguang who provided the relevant information to the existing auditor during the audit.

7. Production Level and Technology & Product Performance

In an email from Mr. Hu to Mr. Huang and Mr. Liu Bin, Mr. Hu mentioned that while the two production lines were claimed to be producing at a volume of 60MW, one of them could not be used for production and the other one only has approximately 20MW production ability. In an interview with PwC on 26 August 2014, Mr. Hu confirmed that the status of the two production lines in Building B of the factory is consistent with those described in his email. Mr. Hu said that the low production capacity of these production lines was mainly due to insufficient funds of the Company to purchase all machinery required for the production lines to attain full production capacity at that time. Mr. Huang and Mr. Liu Bin also told PwC that the machines were under-utilised due to insufficient sales orders to support full production capacity.

Mr. Hu however said that the total production volume of the factory of the Company was approximately 100MW in 2012 and he did not agree that the Company's production volume was as low as 40MW which was alleged by the Sources.

PwC is not expert in the solar energy. However, as requested by the Independent Review Committee of the Company, PwC visited the Company's factory in Longgang in November 2012 to understand the production level in the factory. During its visit, PwC noted that a production line of low-technology products was operating on the 1st floor of one of the two factory buildings (Building A). It also visited the 2nd and 4th floor of Building A which produce larger modules of solar panels according to company personnel and noted that not all machines were operating. PwC did not visit Building B as it was advised by relevant company personnel that only production lines in Building A were operating at that time.

Mr. Hu said that the conversion efficiency of the products has reached 9% since the end of 2012, but before that, the conversion efficiency was approximately 6% which appears to be consistent with that mentioned by the Sources.

LIMITATIONS OF THE FORENSIC REVIEW

Based on the documents and information available, PwC have not been able to determine the involvement and/or knowledge of Mr. Li and the Company management in the various issues identified.

The Forensic Review was subject to significant limitations which include:

- The computers of certain key personnel of the Company are not available to PwC, as set out below. This may limit PwC's ability to identify relevant information regarding the issues reviewed.
 - Mr. Li has two Company computers including one desktop computer and one laptop computer. PwC was only provided with Mr. Li's desktop computer for imaging and has requested to image his laptop computer which he had taken to the US since October 2012. During a telephone interview with PwC on 4 July 2013, Mr. Li advised that his laptop computer was stolen in a coffee shop in around April to May 2013, hence his laptop computer was not made available to PwC. Mr. Li claimed that he did not report this loss incident to the Police in the US because his English is poor.

- Mr. Liang claimed that he took away the Company's computer used by him when he left the Company in April 2012, and he has been using a new computer since his return to the Company few months afterwards. PwC was told by Mr. Liang that his previous computer was no longer available.
 - The Company told PwC that the computers of Mr. Hu, Mr. Hu Yong (Project Manager) and Ms. Su Yanshan (Overseas Sales Assistant Manager) were not available as they were either on leave or working overseas.
 - PwC was told by the Company that the computers of former employees were not available as the Company was not able to contact them. Such former employees include Chen Yixiang (Ex-Executive Director), Howard Chu, Chan Wing Chung Eric (both are Ex-CFO), the ex-Financial Controller Liang Liguang and three ex-employees in the sales department, namely Wu Guoliang, Li Xuelin and Zhou Yan.
- The data on the computers available to PwC may not be complete because (a) some staff claimed that they had deleted their personal information before they handed over their computers; (b) the Windows systems on the computers used by Mr. Li, Ms. Yu Ying and other certain personnel were reinstalled in February, April and October 2012 respectively and PwC could only find a very small number of documents in some of these computers; and (c) certain employees' computers were found to contain significant numbers of unrecoverable deleted documents.
 - The data in the email server available to PwC is not complete because the emails in the server were only maintained for one day or a longer period for some senior personnel and emails would no longer be maintained in the server once they have been downloaded onto the employees' computers.
 - 13 Company personnel were not available for interview, including certain key personnel.
 - The audited accounts of the Company seem to be based on the 2nd Set of Books which could not be reconciled with the 1st Set of Books. However, PwC's review of supporting documents was based on the 1st Set of Books only as PwC was told that:
 - (i) the accounting vouchers and supporting documents were kept according to the 1st Set of Books;
 - (ii) the supporting documents were not centralised in specific locations and these documents were kept by different personnel and scattered in different locations; and
 - (iii) if PwC would like to review the supporting documents, PwC need to firstly provide a list of transactions from the 1st Set of Books for the Company to locate the supporting documents. This is not how PwC would expect to conduct the Forensic Review. PwC would expect to be provided with full set of the Company's books and records with all supporting documents for PwC's review.

Therefore PwC was unable to identify the linkages from the Company's audited accounts with the supporting documents.

- As of the fieldwork completion date in July 2013, the supporting documents for a lot of the selected sales, purchases, payment and receipt transactions had not been made available to PwC.
- The Company was unable to provide PwC with the supporting documents for the 2nd and 3rd Set of Books. Hence, PwC was unable to reconcile the data in the three sets of books and records based on the limited information made available to PwC.
- PwC was not provided with a list of all bank accounts of the Group for the period from 1 July 2010 to 31 October 2012. As of the fieldwork completion date in July 2013, PwC was only provided with lists of bank accounts of the Company and four of its seven subsidiaries and the relevant records (including bank ledgers, general ledgers and bank statements). PwC was unable to ascertain the completeness of the list of bank accounts based on the limited information available to it.
- The financial statements of three of the Company's subsidiaries were shown in the consolidation schedules prepared by the existing auditor as of December 2011. PwC was not provided with the general ledgers or bank ledgers of these three entities.
- The Company was not able to provide complete information to PwC. Although supplemental information gathered from the Company's current and former employees between July and August 2014 was provided by the PRC Lawyer to PwC in August 2014, a partner of the PRC Lawyer told PwC that he cannot recall who from the Company provided him with each specific document and PwC was unable to verify the source of the documents provided and clarify matters with the relevant personnel directly. The supplemental information contain some emails of certain Company management and personnel (including Mr. Li, Ms. Guo Yingru, Ms. Yu Ying and three of the four individuals mentioned in the PRC Lawyer Report) which PwC had not been provided with before and was not on their computers. This casts doubts over the completeness of the information that was made available to PwC by the Company.
- Full names of the suppliers and customers were shown in the 2nd Set of Books and the 3rd Set of Books but not in the 1st Sets of Books in most of the cases. Therefore, in comparing sales and purchases transactions, PwC has assumed that the entities in the 2nd and the 3rd Set of Books which contain the relevant abbreviations in the 1st Set of Books to be the same entities for comparison.
- In order to identify relationships between the Company's employees and the Company's suppliers/customers, PwC has compared the names of the employees of the Company with the shareholders/directors of the suppliers and customers. However, there are the following limitations:
 - (i) the identification card numbers of the relevant shareholders/directors of the suppliers/customers are not available to PwC from the company searches;
 - (ii) the employee lists provided to PwC by the Company appear to be incomplete; and
 - (iii) PwC has, however, identified from its electronic data review several employee lists with the latest one in February 2012 with their names, departments and titles. Therefore, for the purposes of name comparisons, PwC has used the above lists of employees provided by the Company and the lists PwC identified from its electronic data review.

- PwC could not obtain from the existing auditor or the Company the documents provided to the existing auditor for their previous audits.
- PwC has tried to contact the Whistleblower through email but has not received any reply. PwC therefore was unable to obtain further information directly from the Whistleblower.
- PwC could not confirm whether any of the Sources approaching it and the sender of emails found in the electronic data review is the same person who sent the allegations to the existing auditor.
- The Company appointed the PRC Lawyer to investigate the matters which issued a report on 8 June 2012 alleging that four individuals have made false sales figures and misappropriated the Company's assets during the course of their employment. Since July 2012, PwC requested the Company to provide with a copy of the report. However the Company said that the PRC Lawyer did not consent to release the report to any third parties. On 4 December 2013, the Company provided PwC with a copy of the report. It does not contain any supporting documents/information to substantiate the allegations, therefore PwC was unable to check the veracity of the allegations against the four individuals.

PwC has agreed to the disclosure of the extracts of its summary as set out above. The preliminary views of the Independent Review Committee and the Board as set out below are the views of those two bodies alone and are not recommendations that PwC has made.

PRELIMINARY VIEWS OF THE INDEPENDENT REVIEW COMMITTEE AND THE BOARD

The Forensic Review Summary had been considered and accepted by the Independent Review Committee and the Board respectively.

As at the date of this announcement, the Independent Review Committee had come up with the following preliminary views:

1. As the procedures performed during the Forensic Review did not constitute an examination or a review in accordance with generally accepted auditing standards or attestation standards, the findings set out in the Forensic Review Summary, in particular, the high level comparison data in the 1st Set of Books and the 2nd Set of Books (details of which are set out in the paragraph headed "Financial Data" above), should not be read in their individual contexts but should be interpreted altogether as certain of them are inseparably intertwined and are subject to significant limitations. Further, PwC was unable to (i) reconcile the figures in the three sets of books and records and (ii) verify which set of books and records, if any, contains the real numbers. The Independent Review Committee was not in a position to draw any conclusion as to the completeness or accuracy of the data set out in the comparison table.
2. The Independent Review Committee noted the lack of supporting documents to resolve the various financial and accounting issues, including the discovery of three sets of books and records, discrepancies in sales and purchases and tax figures and the validity of certain cash payments, etc., and the inability of PwC to arrive at any conclusive view as to why and how the Potential Financial Discrepancies have arisen. On this basis, the Independent Review Committee recommended the Company to commence the auditing of the Group's outstanding financial statements as soon as possible so as to have a better understanding of the financials of the Group.

3. In response to the limitation set out in the Forensic Review Summary that certain supplemental information gathered from the Company by the PRC Lawyer between July and August 2014 was not provided to PwC before and PwC opined that this casted doubts over the completeness of the information made available to PwC by the Company, the Independent Review Committee obtained from the PRC Lawyer an explanatory statement on the circumstances under which the supplemental information was gathered by the PRC Lawyer and subsequently passed to PwC. It was noted from the explanatory statement that certain documents were obtained by the PRC Lawyer from the Company during the course of provision of legal services. Some of the documents were obtained from the Company in May and June 2012 whilst some were obtained from sources outside the Company during the course of provision of services in July and August 2014. The documents were subsequently passed to PwC after the Company requested the PRC Lawyer to provide certain information they have obtained from the Company to PwC. The Independent Review Committee is of the view that there was miscommunication within the Company when the Company was asked by PwC for the documents in 2012 and as result of which the Company was unable to make the documents available at that time. As the documents were subsequently passed to the PRC Lawyer which, upon the request of the Company, provided the documents concerned, the Independent Review Committee is of the view that the Company has tried best endeavours to ensure that all information and documents provided to PwC were complete.
4. Three of the four ex-employees alleged by the PRC Lawyer in its report, namely Liang Liguang, Wu Guoliang and Zhou Yan, had been reported to the Public Security Bureau of Futian, Shenzhen for alleged offences which include destroying accounting receipts and records, staying in concealment with intention and infringing duties. Save for Zhou Yan was arrested and released on bail, the Company has no information as to any material development of the investigations. In the event that the Company is informed of any material development of the investigations, further announcement will be made by the Company as and when appropriate.
5. Whilst the Company has tried best endeavours to provide all available information or documents that are relevant to the Forensic Review to PwC and to liaise with all relevant personnel to assist with PwC's work, the findings of the Forensic Review on the Potential Financial Discrepancies are still subject to a number of significant limitations as set out in the paragraph headed "Limitations of the Forensic Review" above. These significant limitations PwC was subject to during the course of the Forensic Review lead to many differences unresolved, conflicting information unable to be reconciled and explanations incapable of being verified in the findings. The Independent Review Committee is of the view that both the Company and PwC had used their best efforts to perform their respective responsibilities in the Forensic Review. In light of the lack of supporting documents/information or other factors set out in the paragraph headed "Limitations of the Forensic Review" above that are outside the control of the Company, the Independent Review Committee concludes that those limitations are incapable of being resolved in their totality and thus it is unlikely that further investigation would arrive at any satisfactory findings.
6. Despite the fact that the Independent Review Committee was unable to draw from the Forensic Review Summary any conclusive view as to why and how the Potential Financial Discrepancies have arisen, the Independent Review Committee would further consider and discuss the findings with the intention to obtain clearer pictures of the various issues concerned. Further announcement will be made by the Company as and when appropriate.

Further, the Independent Review Committee is of the view that the Forensic Review reveals certain weaknesses in the internal control and financial reporting systems of the Group and recommended the Board to appoint an independent internal control expert to look into the matters so that appropriate remedial measures could be discussed, formulated and implemented without delay. The internal control and financial reporting weaknesses identified and the corresponding enhancement measures suggested by the Independent Review Committee include:

1. Weakness in record keeping – New record management system should be put in place to enhance the efficiency of data retrieval and dissemination, preserve the confidentiality of sensitive information and ensure the safe custody of books and records;
2. Weakness in internal accounting and financial reporting – Control measures should be implemented to effectively manage and oversee the internal accounting and financial reporting functions of the Group and to eliminate any risk that may emerge in the process of internal accounting and financial reporting. Such control measures should include policies and procedures for approvals, authorizations, verifications, reconciliations, review of operating performance, security of assets and segregation of duties;
3. Weakness in managing risks – Risk management framework should be implemented to identify, monitor, report and handle any risk that may arise in the day-to-day operations of the Group; and
4. Weakness in managing the Group's operation – Mechanisms should be put in place to monitor and assess the implementation of all business development plans and budgets and to manage the day-to-day operations of the Group including formulating procedures for accepting new suppliers and customers and assessment of production level.

Upon the Independent Review Committee expressing its views on the findings of the Forensic Review, its duties have been completed. The Independent Review Committee reminded the Company that subsequent to the issuance of the draft auditor's reports and the draft internal control review report, the Audit Committee of the Company should follow up on the matters in accordance with its terms of reference.

The Board accepted and concurred with the views of the Independent Review Committee that auditing of the Group's outstanding financial statements should be commenced as soon as possible and that the Forensic Review reveals the abovementioned weaknesses in the internal control and financial reporting systems of the Group. Accordingly, the Company will engage an independent internal control expert to conduct an overall review of the internal control and financial reporting systems of the Group. Further announcement(s) will be made by the Company in this regard as and when appropriate.

DELAY IN PUBLICATION OF OUTSTANDING RESULTS ANNOUNCEMENTS AND FINANCIAL REPORTS

The Board will update the Shareholders and public investors on the expected dates in relation to the publication of (i) the 2011/2012 Annual Results Announcement and the despatch of the 2011/2012 Annual Report; (ii) the 2012/2013 Interim Results Announcement and the despatch of the 2012/2013 Interim Report; (iii) the 2012/2013 Annual Results Announcement and the despatch of the 2012/2013 Annual Report; (iv) the 2013/2014 Interim Results Announcement and the despatch of the 2013/2014 Annual Report; and (v) the 2013/2014 Annual Results Announcement and the despatch of the 2013/2014 Annual Report, as and when appropriate.

UPDATE ON LITIGATION AGAINST FORMER EMPLOYEE IN US

Reference is made to the announcement of the Company dated 6 March 2013 regarding, inter alia, litigation against former employee in the United States of America (the “**Litigation Announcement**”). Unless the context otherwise requires, capitalised terms used herein shall have the same meanings as defined in the Litigation Announcement.

The Board would like to update Shareholders that whilst the complaints filed in the Superior Court of California, County of Santa Clara against Wang remain ongoing, the Company is in the process of undertaking a feasibility study of possible further actions against Wang. Further announcement will be made by the Company as and when appropriate.

GENERAL

As at the request of the Company, trading in the shares of the Company on the Stock Exchange has been suspended from 9:00 a.m. on 21 June 2012 and will remain suspended until further notice.

By order of the Board
Trony Solar Holdings Company Limited
Li Yi
Chairman

Hong Kong, 12 December 2014

As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Li Yi (Chairman and Chief Executive Officer) and Mr. Yeung Sik Keung; and three independent non-executive Directors, namely Mr. Yan Lihu, Mr. Hu Bing and Mr. Wu Yi.