

BR BONITAS

博力达思 研究

RESEARCH

COMPANY: JinkoSolar, Inc. | NYSE: JKS
INDUSTRY: Solar Module Production

<u>Price</u> <small>(as of 3Mar2020 close)</small>	<u>Market Cap</u>	<u>Average Daily Value Traded (90-Day)</u>
US\$ 21.90	US\$ ~1.0 billion	US\$ ~25 million

*Riddle me this, Riddle me that, why did JKS consistently fail to generate free cash flow despite reported profits?
Because Chairman Li looted JKS and reported fraudulent financial statements to the SEC.*

We believe that **JinkoSolar Holding Co., Ltd. (NYSE: JKS)** ("JinkoSolar" "JKS" or the "Company") exists for the sole purpose of developing PRC assets with JKS' cash that were disposed to Chairman Li at a significant discount to market. An older vintage of US-listed Chinese fraud, JKS was fattened up with 5 separate equity issuances and US\$ 2+ billion in net debt only to be stripped of value by insiders. This is why JKS, despite its purported profitability, had failed to generate free cash flow or pay shareholders cash dividends.

Evidence shows that Chairman Li privatized JKS' most valuable assets for himself, leaving JKS shareholders saddled with debts and construction cost liabilities. In 2011, JKS established Jinko Power Technology Co., Ltd. ("JinkoPower") as a vehicle to construct solar farm power plants that sold electricity to the Chinese State Grid at up to a 33% net income margin, much more profitable than JKS' 1% net income margin manufacturing solar modules.

In October 2016, JinkoPower was sold to Chairman Li at a US\$ 455 million valuation (RMB 3.2 billion). **ONE MONTH AFTER Chairman Li purchased JinkoPower at a US\$ 455 million valuation from JKS, JinkoPower received an independent appraisal valuation of US\$ 720 million accompanied by a PRC insider equity raise at a US\$ 788 million valuation.** To us, the evidence is clear that Chairman Li acquired JinkoPower at a 40+% discount to market value.

Using US\$ 650+ million of JKS' financial support, Chairman Li grew JinkoPower in 3 years as a private company to seek a US\$ 3.6 billion IPO valuation (RMB 25 billion) in 2020, a valuation 692% higher than what Chairman Li paid JKS for JinkoPower!

In addition, Chinese filings reveal Chairman Li's brother and JKS co-founder Li Xianhua secretly benefitted from controlling a significant supplier within JKS' supply chain, a PV glass supplier called Xinruixin, which once again resulted in value meant for shareholders ultimately making its way to Chairman Li and his brother.

Evidence showed that JKS fabricated its 2017 and 2018 financial statements by including US\$ 209 million of fake sales to Australia and by omitting US\$ 42 million in customs duties that JKS remains liable for in South Africa.

We are short JKS because we think its equity is ultimately worthless.

THIS RESEARCH REPORT EXPRESSES SOLELY OUR OPINIONS. Use Bonitas Research LLC's research opinions at your own risk. You should do your own research and due diligence before making any investment decisions, including with respect to the securities discussed herein. We have a short interest in JKS' stock and stand to realize significant gains in the event that the price of such instrument declines. Because this document has been prepared without consideration of any specific clients' investment objectives, financial situation or needs, no information in this report should be construed as recommending or suggesting an investment strategy. Investors should seek their own financial, legal and tax advice in respect of any decision regarding any securities discussed herein. This report and its contents are not intended to be and do not constitute or contain any financial product advice as defined in the Australian Corporations Act 2001 (Cth). For convenience purposes only, we have provided a Chinese translation of this report. Please refer to our full disclaimer located on the last page of this report.

Table of Contents:

1. CHAIRMAN LOOTED JINKOSOLAR OF US\$ BILLIONS	... p. 4
2. CHAIRMAN LI'S BROTHER BENEFITS FROM SECRETLY CONTROLLING KEY SUPPLIER	... p. 8
3. OVERSTATED AUSTRALIAN SOLAR MODULE SALES BY US\$ 209 MILLION	... p. 14
4. UNDERSTATED LIABILITIES BY US\$ 42 MILLION	... p. 19

EXECUTIVE SUMMARY

We believe that Chairman Li defrauded foreign investors out of US\$ billions, included fake sales and profits in its SEC reported financials, omitted US\$ 42 million in liabilities from its balance sheet, and engaged in multiple undisclosed related party transactions to benefit insiders at the expense of minority shareholders.

In short, Chairman Li tried to get away with a lot of nefarious dealings, many not well hidden and easily noticeable by even a novice financial analyst. Since 2013, JKS has failed to generate free cash flow despite its purported profitability. JKS' net debt was at an all-time high, with US\$ 2.3 billion in short term borrowings as of 3Q'19. Much of JKS' reported assets are restricted cash, receivables, and inventory. JKS' solar module inventory was at an all-time high of US\$ 850 million while average silicon solar module spot price continues to decline. JKS is in the low margin commoditized product business. Any small swing in reported sales, profits or costs could have a material negative impact on JKS' financial performance.

Some things are a bit harder to understand. For example, our investigators in South Africa visited the storefront of the alleged independent third party that Chairman Li stuffed with US\$ 42 million of unpaid customs duties to the South Africa Revenue Service ("SARS"). We found a former minimart and bbq chicken location that had been turned into a wall of cheap clothes and backpacks.

64 Kort St. Parys, Free State, South Africa – as of February 2020

Source: February 2020 Bonitas Field Work – JKS South Africa Current Address

The theft at JKS was pervasive. Our report is certainly not a comprehensive list of problems at JKS. In this report we discuss ways that Chairman Li used JKS to subsidize construction costs for JinkoPower and increase the valuation of his privately held PRC assets yet saddled JKS shareholders with construction cost liabilities.

- 1. CHAIRMAN LOOTED JINKOSOLAR OF US\$ BILLIONS:** In October 2016, JKS disposed of JinkoPower to Chairman Li at a US\$ 455 million valuation (RMB 3.2 billion). ONE MONTH LATER, in November 2016, JinkoPower received an independent appraisal valuation of US\$ 720 million (RMB 5 billion) and raised capital from PRC insiders at a valuation of US\$ 788 million. To us, the facts are crystal clear that Chairman Li acquired JinkoPower at a 40+% discount to market value.

Post-disposal Chairman Li continued to financially support JinkoPower with JKS' resources. Using an additional RMB 533 million in solar modules yet to be paid for and US\$ 593 million in balance sheet support, Chairman Li grew JinkoPower in 3 years as a private company to seek a US\$ 3.6 billion IPO valuation (RMB 25 billion) in 2020, a valuation 692% higher than what Chairman Li paid JKS for JinkoPower! None of this increased value made its way to JKS' balance sheet, instead JKS got construction debts.

- 2. CHAIRMAN LI'S BROTHER BENEFITS FROM SECRETLY CONTROLLING KEY SUPPLIER:** Chinese filings revealed Chairman Li's brother and JKS co-founder Li Xianhua secretly benefitted from secretly controlling a significant PV glass manufacturer within JKS' supply chain called Zhejiang Xinruixin Energy Co., Ltd. (浙江新瑞欣能源股份有限公司) ("Xinruixin"). Xinruixin's Chinese IPO Prospectus revealed that during its track record period, JKS contributed to more than 99% of Xinruixin's revenues and that it supplied 20% of JKS Solar's total PV anti-reflection glass purchases from 2014 to 1Q'16. Xinruixin's business would not have existed without the support of JKS. Xinruixin is yet another example whereby value meant for shareholders was diverted to Chairman Li and his brother.
- 3. OVERSTATED AUSTRALIAN SOLAR MODULE SALES BY US\$ 209 MILLION:** Evidence shows that JKS fabricated its 2017 and 2018 financial statements by including US\$ 209 million of fake sales to Australia. JKS' SEC filings reported Australian sales that accelerated from US\$ 37 million (RMB 261 million) in 2016 to US\$ 302+ million (RMB 2+ billion) in 2018, up 696% in 2 years. Australian Securities & Investments Commission ("ASIC") database filings for JKS' only Australian operating subsidiary, Jinko Solar Australia Holdings Co., Pty Ltd. ("JKS Australia") corroborated the accuracy of JKS' SEC-reported Australian sales figures in 2015 and 2016. However, in 2017 and 2018, JKS' SEC-reported Australian sales figures were US\$ 209 million higher than what was reported by JKS' ASIC filings, which showed that JKS fabricated its SEC-reported Australian sales in 2017 and 2018.
- 4. UNDERSTATED LIABILITIES BY US\$ 42 MILLION:** Evidence shows that JKS lied about the disposal of its South African subsidiary to an independent third party and that JKS remains liable for US\$ 42 million of customs duties owed to South African authorities that should be reflected on JKS' current consolidated financial statements. Who is this mystery independent third party that wanted to acquire JKS South Africa despite its customs duties liability overhang? South Africa Companies and Intellectual Property Commission ("CIPC") details for JKS South Africa revealed an address change in 2018 to 64 Kort Street, Parys, Free State.

In February 2020, we sent investigators to 64 Kort Street, Parys, Free State 9585 South Africa to visit the "independent third party" that acquired JKS South Africa and relocated it from Cape Town to Parys, Free State. Our investigators found a former minimart and a bbq chicken location that had been turned into a wall of cheap clothes and backpacks. We verified that the storefront was the same registered physical address for a separate logistics company maintained by JKS South Africa's long-time sole director Wei Lu. Our assumption is that JKS South Africa's US\$ 42 million liability is being held by an undisclosed insider.

CHAIRMAN LOOTED JINKOSOLAR OF US\$ BILLIONS

Jinko Power Technology Co., Ltd. (“JinkoPower”) operates solar farm power plants that sell electricity to the Chinese State Grid at up to a 33% net income margin for some of its farms, a much more profitable business than JKS’ 1% net income margin as a solar module manufacturer.¹ The strategic decision to enter the downstream solar farm market was easily accepted by investors considering JKS’ solar module manufacturing capacity and low procurement costs.²

JKS established JinkoSolar in 2011 and for 5 years JKS allocated resources and capital expenditure investments towards JinkoPower, but since it was an intercompany transaction, no detailed SEC disclosure was required. However, JinkoPower’s December 2018 Chinese IPO Prospectus revealed that JKS supplied JinkoPower with RMB 2.3 billion worth of solar modules during the 2 years prior to the sale of JinkoPower to Chairman Li.³

In October 2016, JKS disposed of JinkoPower to Chairman Li at a US\$ 455 million valuation (RMB 3.2 billion). ONE MONTH LATER, in November 2016, JinkoPower received an independent appraisal valuation of US\$ 720 million (RMB 5 billion) and raised capital from PRC insiders at a valuation of US\$ 788 million. To us, the facts are crystal clear that Chairman Li acquired JinkoPower at a 40+% discount to market value.

9、2016年12月，晶科有限第六次增资至63,000万美元

2016年11月30日，晶科有限召开董事会，同意晶科有限注册资本由6亿美元增至6.3亿美元（其中实缴注册资本20,796,709.59美元），新增注册资本由金石能源以3,750万美元或者等值人民币现金出资。

金石能源作为公司员工持股平台而设立，以给予对公司做出贡献人员共同分享公司成长红利的机会。

本次增资参考评估值，最终确定为投前估值50.27亿元，略高于评估值。本次增资投前估值静态PE（参考2016年度归属于母公司净利润）为34.01倍、动态PE（参考2017年度归属于母公司净利润）为7.49倍。坤元资产评估有限公司出具《资产评估报告》（坤元评报[2017]218号），确认截至2016年11月30日，晶科有限净资产的评估值为5,022,691,593.46元。

2016年12月06日，晶科有限领取了上海市市场和质量监督管理局核发的《营业执照》（统一社会信用代码：913611005787856680），公司类型为有限责任公司（中外合资）。

On 30 Nov 2016, Jinko Power Co., Ltd. held a board meeting and resolved to increase its share capital from US\$600 million to US\$630 million (including paid-in capital of US\$ 20,796,709.59), with the capital increase to be paid by Jinshi Energy with US\$37.5 million or equivalent in cash.

Jinshi Energy was set up as a platform for Jinko Power’s employees to hold company stock and gives them the opportunity to share in the company’s growth.

This capital increase was valued at RMB5,027 million, slightly higher than its assessed valuation. Before the capital increase, the static P/E (refer to the 2016 net profit attributable to the parent company) was 34.01 and the dynamic P/E (refer to the 2017 net profit attributable to the parent company) was 7.49. Kunyuan Assets Appraisal Co., Ltd.’s valuation report (Kunyuan [2017] No. 218) confirms that as at 30 Nov 2016, the valuation of Jinko Power Co., Ltd.’s net equity was RMB5,022,691,593.46.

Source: JinkoPower November 2019 Chinese IPO Prospectus – p.1-1-61

Then 3 months later in February 2017, JinkoPower raised an additional US\$ 285 million from third parties at a US\$ 1.5 billion valuation, 200+% greater than what Chairman Li paid JKS for JinkoPower.⁴

Post-disposal Chairman Li continued to financially support JinkoPower with JKS’ resources. JKS’ 20-F disclosed that from 4Q’16 thru 2018, JKS sold JinkoPower RMB 528 million of solar modules, of which JinkoPower still owed JKS RMB 523 million for purchased solar modules as of CYE’18.⁵

This is in addition to US\$ 593 million in financial guarantees JKS provided as a backstop for JinkoPower’s existing loan obligations, for a total outstanding FYE’18 financial support of US\$ 650+ million.

We are exposed to significant guarantee liabilities and if the debtors default, our financial position would be materially and adversely affected.

In connection with our disposal of JinkoPower — a downstream business — in 2016, we entered into a master service agreement with JinkoPower, where we agreed to provide a guarantee for JinkoPower’s financing obligations under certain of its loan agreements, which amounted to RMB4.07 billion (US\$592.5 million) as of December 31, 2018, for a three-year period starting from October 2016. In addition, we give guarantees to certain of our related parties. As of December 31, 2018, we had guarantee liabilities to related parties of RMB92.4 million (US\$13.4 million). In the event that JinkoPower or the relevant related parties (as the case may be) fail to perform their respective obligations or otherwise default under the relevant loan agreements or other contracts, we will become liable for their respective obligations under those loan agreements or other contracts, which could materially and adversely affect our financial condition.

Source: JKS 2018 20-F – p. 11

¹ Gansu Jintai Electronic Power Co., Ltd. (“Gansu Jintai”) Financial Statements

http://static.sse.com.cn/disclosure/listedinfo/announcement/c/2019-04-26/601877_2018_n.pdf

² Source: JKS 2013 Prospectus: September 19, 2013

https://www.sec.gov/Archives/edgar/data/1481513/000114420413051046/v355039_424b5.htm

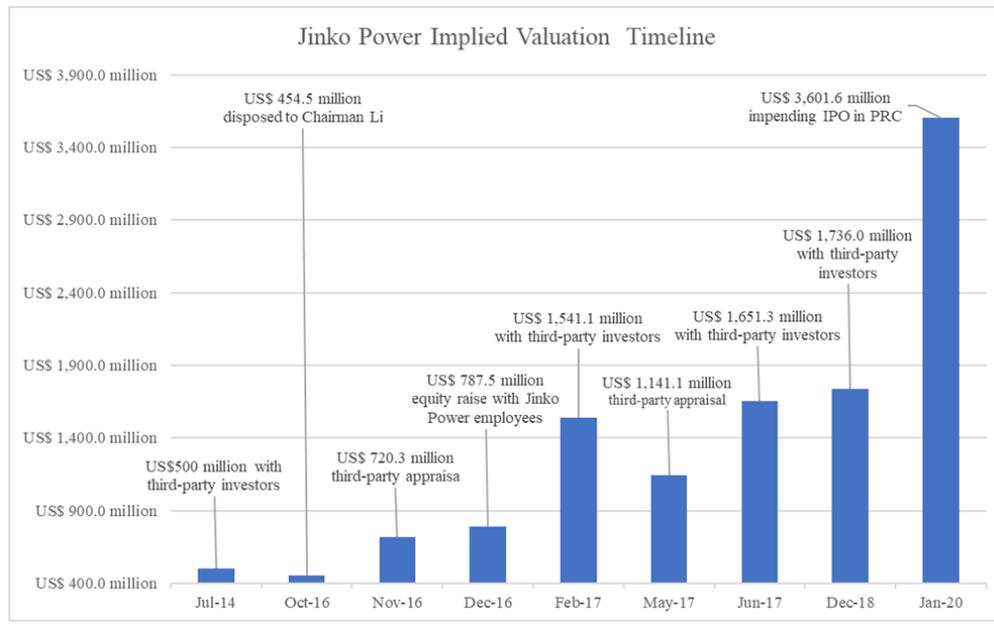
³ Source: JinkoPower December 2018 Chinese IPO Prospectus p. 1-1-186, 187

⁴ Third Party entities controlled by Everbright ReinFore, China Construction Bank and Shen Yuxing, and the former chairman of Jiayuan International (HKEX: 02768).

⁵ Source: JKS 2018 20-F – p. F-52 Related Party footnote

As of CYE'18, JinkoPower used US\$ 593 million in balance sheet support from JKS and an additional RMB 523 million in solar modules yet to be paid for in 3 years as a private company. If JKS was prepared to commit ~US\$ 650+ million to JinkoPower's growth immediately after disposal to Chairman Li, if not for the sole benefit of Chairman Li?

Using US\$ 650+ million of JKS' financial support, Chairman Li grew JinkoPower in 3 years as a private company to seek a US\$ 3.6 billion IPO valuation (RMB 25 billion) in 2020, a valuation 692% higher than what Chairman Li paid JKS for JinkoPower!



Source: JinkoPower Chinese IPO Prospectus, JKS 20-F Filings

Date	Description	Jinko Power Implied Valuation	Info Source
Jul-14	China Development Bank, the Macquarie Greater China Infrastructure Fund and New Horizon Capital ("Preferred Shareholders") agreed to invest a total of US\$225.0 million in JinkoSolar Power, then JKS' majority-owned subsidiary conducting solar power generation business. The three investors together held 45% of JinkoSolar Power's equity.	US\$ 500.0 million	2018 20-F
Oct-16	On Oct 31, 2016, the Company completed the sale of all the 55% equity interest indirectly held in Jiangxi Jinko Engineering (later known as "Jinko Power" or "JKP") to Shangrao Kangsheng Technology Co., Ltd., a company formed by a consortium led by Mr. Xiande Li, chairman of the board of directors of the Company, for a total consideration of US\$250m. In conjunction, the Company also agreed to transfer the 45% equity interest of JKP to the Preferred Shareholders for a total consideration of US\$225m and repurchase the preferred shares in JinkoSolar Power from the Preferred Shareholders for the same amount. The two transactions were net settled. The net asset value of JKP as at 31 Dec 2015 was RMB4.8 billion (USD740m) but JKS recorded a RMB1.007 billion gain on disposal of discontinued operations as it also recognised un-realised profit generated from historical sales transactions to JKP.	Valuation for Chairman Li: US\$ 454.5 million Valuation for Preferred Shareholders: US\$ 500.0 million Overall Valuation: US\$ 475.0 million	2016 20-F
Nov-16	JKP commissioned Kuryuan Asset Appraisals Co., Ltd. ("Kuryuan") to perform a valuation for it to establish an equity incentive scheme. Kuryuan found that while its equity book value was RMB2.5 billion, the fair value of the equity in JKP was RMB5 billion.	US\$ 720.3 million	JKP prospectus p. 1-1-61
Dec-16	After the downstream power generation business was taken private, JKP began taking fresh funds from new investors at increasing valuations. Shangrao Jinshi Energy Technology Management Center (Limited Partnership) ("Jinshi Energy") purchased 4.762% shares in JKP for USD37.5m.	US\$ 787.5 million	JKP prospectus p. 1-1-61
Feb-17	JKP took additional funds from new investors at increasing valuations. Investors including Everbright ReinFore, a subsidiary of China Construction Bank and Ying Ying Jing Hai (indirectly held by Shen Yuxing, former chairman of Jiayuan International (HKEX: 02768) were issued shares equivalent to 19% stake in JKP for USD285.7m.	US\$ 1,541.1 million	JKP prospectus p. 1-1-62
May-17	JKP commissioned Kuryuan Asset Appraisals Co., Ltd. ("Kuryuan") to perform a valuation of the business in order to establish itself as a joint stock limited company. Kuryuan found that while its equity book value was RMB4.9 billion, the fair value of JKP equity was RMB7.4 billion.	US\$ 1,141.1 million	JKP prospectus p. 1-1-65
Jun-17	A subsidiary of Jiangxi HopeDa Group Corporation replaced the subsidiary of China Construction Bank as shareholder, paying RMB800m for 7% of JKP shares, and a subsidiary of Liyuan Group Holdings Ltd purchased shares 2% shares in JKP from Macquarie Greater China Infrastructure Fund at RMB190m (approx. USD27.4m).	US\$ 1,651.3 million	JKP prospectus p. 1-1-63
Dec-18	Jiangxi Province Development Fund created a sub-fund, Shangrao City Jinghang New Energy Investment LLP to hold 8% shares in JKP for RMB940m (approx. USD135.4m).	US\$ 1,736.0 million	JKP prospectus p. 1-1-64
Jan-20	JKP received CSRC approval to IPO on the Shanghai Stock Exchange. The IPO is intended to raise RMB2.5 billion for the business by selling at least 10% shares in JKP - this implies an IPO valuation of RMB25 billion!	US\$ 3,601.6 million	JKP prospectus p. 1-1-36

Bonitas Graphic Source: JinkoPower Chinese IPO Prospectuses; JKS 20-F filings

Potentially alarming for shareholders, JinkoPower purchased significantly fewer solar modules from JKS versus other solar module manufacturers in the last 2 years. In 2018, JKS sold only RMB 39 million of solar modules to JinkoPower, less than 1% of JinkoPower's total purchases in 2018. JinkoPower disclosed that JKS was no longer in the list of its top 10 suppliers by purchase amounts. Instead, the top suppliers include several other solar module producers including LONGi Solar (SHSE: 601012), Jolywood (SHSE: 300393).

			Purchase Amount RMB (ten thousand)			
LONGi Solar subsidiaries	1	隆基乐叶光伏科技有限公司	组件	28,258.45	5.73%	
		银川隆基乐叶光伏科技有限公司	组件			
	3	2	江苏日托光伏科技股份有限公司	组件	23,694.16	4.81%
			中国电建集团海南电力设计研究院有限公司	EPC	23,438.37	4.75%
			中国电建集团河北省电力勘测设计研究院有限公司	EPC		
			中国电建集团河南省电力勘测设计院有限公司	EPC		
			宁夏回族自治区电力设计院有限公司	EPC		
			中电建湖北电力建设有限公司	EPC		
			中国电建集团北京勘测设计研究院有限公司	EPC		
			中国电建集团贵州工程有限公司	EPC		
			中国电建集团华东勘测设计研究院有限公司	EPC		
			中国电建集团山东电力建设第一工程有限公司	EPC		
			中国电建集团西北勘测设计研究院有限公司	EPC		
			中国电建集团中南勘测设计研究院有限公司	EPC		
		中国水利水电第十二工程局有限公司	EPC			
Jolywood subsidiaries	4	泰州中来光电科技有限公司	组件	23,378.63		
		泰州中来光电科技有限公司姜堰分公司	组件			
	5	无锡尚德太阳能电力有限公司	Suntech Power subsidiary	2.69	4.63%	
	6	阳光电源股份有限公司	逆变器	21,356.81	4.33%	

Source: JinkoPower November 2019 Chinese IPO Prospectus p. 1-1-272

At the time of disposal, JKS avoided scrutiny by championing the JinkoPower disposal as a significant benefit for JKS shareholders. JKS booked an egregious non-cash gain of US\$ 145 million (RMB 1 billion) which served its purpose to distract critics from further inquiry and questions. JKS' audit passed and the disposal of JinkoPower was considered part of a broader change in strategy to refocus JKS' core business back onto solar module manufacturing rather than downstream solar power plants.

A gain of RMB1,007.9 million (US\$145.2 million) was recognized because of the disposition. The disposal gain was comprised of i) premium of the consideration against the net assets of the discontinued operations as of the disposition date; ii) recognition of the un-realized profit generated from the module sales transactions between the continuing and discontinued operations before the disposition date, and reduced by the iii) recognition of warranty costs in connection with the standard warranty, same as 3rd party sales, provided by the continuing operations to the discontinued operations.

Source: JKS 2017 20-F p. F-25

Chairman Li did not stop at simply stealing value from JKS, he wanted JKS out of the business. Without explanation, another self-serving clause was embedded into the sale agreement of JinkoPower. Unlike a more typical 5-year non-compete restriction, the commitment JKS made was absolute and timeless: JKS will "cease developing new downstream solar projects" and that JKS' "existing offshore downstream solar power projects that we are constructing and will connect to the grid" will be transferred to JinkoPower.

In October 2016, we entered into a side agreement with JinkoPower and the investors of JinkoPower, pursuant to the non-compete provisions of which we undertake not to develop any downstream solar power project with a capacity of over 2 MW in China after the disposition of our equity interest in JinkoPower in the fourth quarter of 2016. This non-competition covenant may adversely affect our growth prospects in China.

In September 2017, we provided a non-compete commitment to JinkoPower where we undertake to cease developing new downstream solar projects. In addition, for our existing offshore downstream solar power projects that we are constructing and will connect to the grid, we undertake to endeavor to cause those projects to be transferred to JinkoPower, its subsidiaries or other qualified third parties, to the extent that such transfers will not contravene with applicable laws and regulations and that we are able to obtain written consent of the relevant contracting parties for those projects. This non-competition undertaking may adversely affect our operating results.

Source: JKS 2018 20-F, p. 24

This deprived JKS shareholders of any future business opportunity or profits should JKS decide to use its remaining inventory to build its own downstream solar power plants and sell high profit margin electricity to the Chinese Grid. In 1H'19, JinkoPower reported an 11% net income margin on its electricity sales, significantly better than the 1% profit margins JKS generated from manufacturing solar modules.

We understand why Chairman Li would want less competition and more barriers to entry, but why would JKS agree to this blanket restriction given its market leader position in solar module manufacturing capacity and the obviously higher margin enjoyed by the downstream segment?

It's a bunch of bullshit. In 2010 JKS was predominantly a silicon wafer manufacturer. Within one year of its IPO, JKS redirected its IPO proceeds to invest in solar module capacity used to build JinkoPower solar farm power plants. Once significantly completed, JKS disposed of JinkoPower to Chairman Li at a significant discount to market value while he directed JKS resources to finance the growth of JinkoPower and other non-core international solar farm power plant projects that never turned out to benefit JKS shareholders.

CHAIRMAN LI'S BROTHER BENEFITS FROM SECRETLY CONTROLLING KEY SUPPLIER

Chinese filings reveal Chairman Li's brother and JKS co-founder Li Xianhua (“Li Xianhua”) secretly benefitted from controlling a significant PV glass manufacturer within JKS' supply chain called Zhejiang Xinruixin Energy Co., Ltd. (浙江新瑞欣能源股份有限公司) (“Xinruixin”).

Xinruixin's Chinese IPO Prospectus revealed that during its track record period from 2014 to 1Q'16, JKS contributed to more than 99% of Xinruixin's revenues and that it supplied 20% of JKS Solar's total PV anti-reflection glass purchases. Xinruixin's business is to service JKS exclusively, so why is Xinruixin not part of JKS?

We think the answer is because PRC insiders wanted to benefit from secretly controlling a part of JKS' supply chain using JKS to fund its growth and to ultimately raise capital at higher valuations from investors. Evidence reveals that Li Xianhua secretly controlled Xinruixin and used JKS resources to benefit the private holdings of Chairman Li and his brother.

Xinruixin was incorporated in February 2011 and listed on the National Equities Exchange and Quotations market in China (ticker: NEEQ 839764) in November 2016.

Company description of Xinruixin

• 公司简介

浙江新瑞欣玻璃股份有限公司（原名浙江索瑞玻璃科技有限公司），公司成立于2011年2月，注册资金1000万元，专业从事太阳能超白压延玻璃的研发、生产与销售。公司坐落于浙江省海宁市尖山新区，交通便利。占地面积13600平方米。公司引进意大利进口数控全自动磨边机、国内先进玻璃钢化炉等各类设备，年产太阳能超白玻璃400万平米，2016年销售收入突破2.3亿元，利税1300万元。公司创办即通过ISO9001质量体系认证、3C认证、TUV认证和国家金太阳工程认证，**在省内拥有多家稳定客户，如晶科能源有限公司，浙江中海建设集团有限公司，浙江昱辉阳光能源有限公司等。**

2016年6月30日公司完成股改，同年11月9日在全国中小企业股份转让系统成功挂牌（股票代码839764）。公司以绿色环保为理念，力争三年内打造国内玻璃行业最具影响力的企业。经公司新领导班子技术改造，现日产太阳能光伏超白镀膜玻璃15000平方，预计2017年底年销售额突破30000万。

Red Box translation: The company has several stable customers, for example JinkoSolar

Red Box translation: listed on the NEEQ in September 2011

Source: Xinruixin Prospectus page 1-1-15 – Company Description

ENGLISH REDBOX TRANSLATION: “PV anti-reflection glass one of the essential components of solar equipment... the core competency of the product is to increase solar equipment's absorption rate of sunlight, thereby improving the efficiency of electricity generation”

公司生产的光伏减反玻璃是光伏设备必要组件之一，而光伏发电是太阳能利用的主要发展方向之一，在发展低碳经济过程中备受青睐和期待，公司产品的核心关键在于提升光伏设备对太阳光的吸收率，进而提高光伏发电功率。

Source: Xinruixin Prospectus page 1-1-15

Source: <http://www.xinruixin.net/h-col-101.html>

Xinruixin's Chinese IPO Prospectus revealed that during its track record period, JKS contributed to more than 99% of Xinruixin's revenues! In the 5 years from 2014 to 2018, JKS purchased RMB 832 million from Xinruixin which accounted for 96% of Xinruixin's total sales in the same period!

Xinruixin highlighted that it supplied 20% of JKS Solar's total PV anti-reflection glass purchases from 2014 to 1Q'16.

Description of Jinko Solar in Xinruixin's Prospectus

4、公司对晶科能源销售情况
 (1) 销售基本情况

报告期内公司对晶科能源的销售金额合计占2014年、2015年、2016年1-3月各期销售收入的比重分别为99.14%、99.91%、99.52%。公司向其销售的主要产品为光伏减反玻璃，其规格分为3.2毫米的光伏减反玻璃及4.0毫米的光伏减反玻璃。

(2) 合作模式

公司于2012年开始与晶科能源进行合作，双方以签订《销售订单》的方式来确定具体的销售数量及单价。

2014年9月以来，公司与晶科能源签订《长期销售合同》，该合同系长期供应货物的框架性协议，合同履行过程中由合同双方每年重新签订一次。自2016年开始，基于晶科能源对双方合作的认可，《长期销售合同》有效期延长至三年。双方根据合同预定，晶科能源在验收货物合格并收取增值税发票后，以银行承兑汇票方式支付货款，双方结

3) 公司与晶科能源为共同成长关系

晶科能源作为纽交所上市公司晶科能源控股有限公司旗下生产中心，无论在体量上亦或内控制度上都十分严格，供应商进入其采购系统将通过多重审核和筛选。公司进入晶科能源采购商体系后，产品质量优良、物流运送及时精准，从而成为晶科能源主要供

1-1-29

The company is a main supplier to Jinko Solar... supplying 20% of Jinko Solar's total PV anti-reflection glass purchases

浙商新瑞玻璃股份有限公司 公开转让说明书
 货商。公司供应比例占晶科能源同类光伏减反玻璃总采购额的20%。因此，若公司不出现严重质量问题，公司与晶科能源的供应关系都将十分稳定。

Source: Xinruixin Prospectus July 2016 – p. 1-1-27 to 1-1-30: http://www.neeq.com.cn/disclosure/2016/2016-07-28/1469719923_519228.pdf

RMB'000	2014	2015	2016	2017	2018	Total 2014 - 2018
Sales by Xinruixin to JinkoSolar	67,071.7	174,510.7	230,130.3	236,848.6	123,694.6	832,255.9
Xinruixin Total Sales	67,655.4	174,669.3	231,689.6	251,483.6	141,914.6	867,412.5
Percentage of total sales, %	99.14%	99.91%	99.33%	94.18%	87.16%	95.95%

Source: Xinruixin's NEEQ filings

A search of JKS' SEC filings found no mention of Xinruixin as a supplier or as a related party. Xinruixin's 2018 Annual Report specifically disclosed that JKS was not a related party.

Major customer list of Xinruixin

(3) 主要客户情况

单位：元

序号	客户 Customer	销售金额 Sales Amount	年度销售占比 Percentage of Annual Sales	是否存在关 联关系 Related party?
1	晶科能源有限公司 Jinko Solar	123,694,560.12	87.16%	否 No
2	浙江芯能光伏科技股份有限公司	4,540,527.11	3.20%	否
3	嘉兴能发电子科技有限公司	2,099,772.08	1.48%	否
4	浙江贝立德能源科技有限公司	506,973.71	0.36%	否
5	浙江启鑫新能源科技股份有限公司	6,373,255.00	4.49%	否
	合计	137,215,088.02	96.69%	-

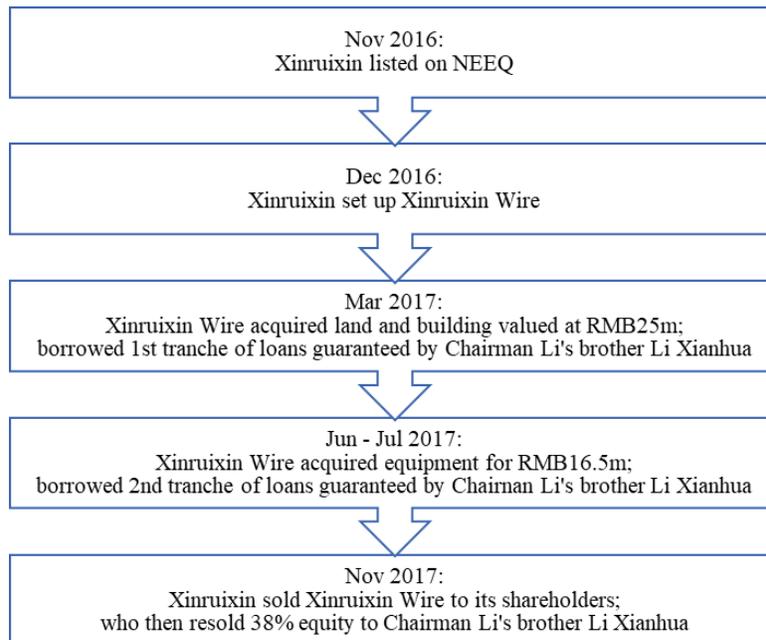
Source: Xinruixin 2018 Annual Report – p. 16

The accounting definition of an entity being a "related party" entails being "controlled, jointed controlled or significantly influenced or managed by a person who is a related party."⁶

While Xinruixin is not directly owned by a related party of JKS, evidence shows that it is significantly influenced or managed by Li Xianhua. Certain facts can be taken as deliberate attempts by Li Xianhua and insiders to conceal any connection between JKS and Xinruixin and avoid disclosure.

⁶ Source: IAS 24 Related Party Disclosures (<https://www.ifrs.org/issued-standards/list-of-standards/ias-24-related-party-disclosures/>)

a. Xinruixin Wire Timeline of Events



Source: Bonitas graphic, Xinruixin's NEEQ filings, Qichacha

In December 2016, one month after being listed on the NEEQ, Xinruixin established a 90% owned subsidiary Zhejiang Xinruixin Precision Wire Cutting Co, Ltd (浙江新瑞欣精密线锯有限公司, “Xinruixin Wire”).

Xinruixin Wire immediately engaged in two separate acquisitions to purchase land, buildings and silicon cutting manufacturing equipment for ~US\$ 6 million (RMB 41 million).

1、控股子公司浙江新瑞欣精密线锯有限公司（以下简称“子公司”）拟向浙江宇太太阳能材料有限公司（以下简称“宇太”）购买位于浙江省海宁市尖山新区安江路 72 号的土地使用权（海国用 2010 第 02698 号）及地上建筑（海宁房权证海房字第 00257067 号、第 00257068 号、第 00257069 号），根据海宁正泰联合资产评估有限公司出具的《海正评字（2017）第 057 号评估报告》土地面积为 20339 m²，建筑物面积 21909.24 m²，评估价 25,237,035 元，成交价按照实际签署收购合同为准。

Red box translation: Subsidiary Xinruixin Wire intends to acquire land and buildings from Zhejiang Yutai...valued at RMB25,237,035, actual consideration to be determined by Sale and Purchase Agreement.

Red box translation: Sale Price will not exceed RMB 27 million

按照海宁正泰联合资产评估有限公司出具的海正评字（2017）第 057 号评估报告，双方意向不超过 27000000 元转让上述土地及房屋，地块位于海宁市安江路 72 号，土地用途为工业用地。合同签订之日起生效。

Source: Xinruixin NEEQ filing dated 31 March 2017 on land purchase

一、 合同概况

Red Box translation: Contract mainly entails purchasing manufacturing equipment for silicon cutting and associated equipment. Purchase price is RMB16.486 million

1、合同名称:金钢切割线生产设备及配套设备采购安装合同

2、合同主要内容: 购买金钢切割线生产设备及配套设备用于金钢切割线生产, 设备采购金额 1,648.60 万元。

Source: Xinruixin NEEQ filing dated 27 June 2017 on equipment purchase, the counterparty's identity is not disclosed

Xinruixin Wire needed cash and borrowed up to RMB 35 million in two tranches in March 2017 and July 2017. Curiously, both loans were guaranteed by Zhejiang Qiusuo Industrial Investment Co., Ltd (浙江求索实业投资有限公司 (“Zhejiang Qiusuo”)) – **an entity controlled by and 93.5% owned by Li Xianhua.**

一、借款情况概述

浙江新瑞欣玻璃股份有限公司的控股子公司浙江新瑞欣精密线锯有限公司（以下简称“子公司”）拟向中国农业银行海宁袁花支行借款不超过人民币2,000万元（含2,000万元），借款期限为1年，担保方式为由浙江求索实业投资有限公司提供担保。

Red Box translation: Xinruixin’s subsidiary Xinruixin Wire intends to borrow up to RMB20 million...guaranteed by Zhejiang Qiusuo

Source: Xinruixin NEEQ filing dated 31 March 2017 on borrowings up to RMB20 million

(一)关联交易概述

本次关联交易是偶发性关联交易。

因生产经营需要，公司控股子公司浙江新瑞欣精密线锯有限公司拟向华夏银行(以下简称“银行”)借款不超过人民币 1500 万元（含 1500 万元），借款期限为 1 年，由控股公司浙江新瑞欣玻璃股份有限公司、控股公司实际控制人黄志坚、董事龚清清、浙江求索实业投资有限公司提供担保。

Red Box translation: Xinruixin’s subsidiary Xinruixin Wire intends to borrow up to RMB15 million...guaranteed by shareholder Xinruixin, Xinruixin’s actual controlling person Huang Zhijian, director Gong Qingqing, and Zhejiang Qiusuo

Source: Xinruixin NEEQ filing dated 31 March 2017 on borrowings up to RMB15 million

Qichacha.com records showed that when Zhejiang Qiusuo guaranteed Xinruixin Wire’s borrowings of up to RMB 35 million, Li Xianhua was the legal representative and owned 93.5% of Zhejiang Qiusuo.

2019-03-27	法定代表人变更 带有*标记的为法定代表人	李仙华	王昱*	Red Box translation: 27 March 2019, legal representative changed from Li Xianhua to Wang Yu
2019-03-27	高级管理人员备案 带有*标记的为法定代表人	姓名:肖云治;证件号码:*****;职位:监事 姓名:李仙华;证件号码:*****;职位:经理【退出】 姓名:李仙华;证件号码:*****;职位:执行董事【退出】	姓名:肖云治;证件号码:*****;职位:监事 姓名:王昱;证件号码:*****;职位:经理【新增】 姓名:王昱;证件号码:*****;职位:执行董事【新增】	
2018-10-30	住所变更	浙江省嘉兴市海宁市尖山新区钱江路*号***室	浙江省嘉兴市海宁市尖山新区安江路**号***室	
2017-03-27	住所变更	海宁市尖山新区湖起路**号招商中心***室	浙江省嘉兴市海宁市尖山新区钱江路*号***室	
2016-03-30	-	注册号:*****组织机构代码证:无	统一社会信用代码:9*****3269XH	Red Box translation: 30 March 2016, Li Xianhua’s shareholding increased from 80% to 93.5%
2016-03-30	投资人(股权)备案	姓名:肖云治;出资额:1000;百分比:20% 姓名:李仙华;出资额:4000;百分比:80%	姓名:肖云治;出资额:715(-285);百分比:6.5%(-13.5%) 姓名:李仙华;出资额:10285(+6285);百分比:93.5%(+13.5%)	
2016-03-30	换发统一社会信用代码执照	注册号:330481000130031组织机构代码证:无	统一社会信用代码:9133048105833269XH	
2016-03-30	注册资本(金)变更	5000万元人民币	11000万元人民币(+120%)	
2014-04-23	法定代表人变更	肖云治	李仙华	Red Box translation: 23 April 2014, legal representative changed from Xiao Yunzhi to Li Xianhua

Source: Qichacha.com – Company records

Li Xianhua was not a shareholder of Xinruixin or Xinruixin Wire at the time when Xinruixin Wire took up the borrowings, nor was he listed in any of Xinruixin’s NEEQ filings as a board member or a key management. He clearly had significant influence over Xinruixin / Xinruixin Wire or was closely connected for banks to accept corporate guarantees from his company. In fact, Zhejiang Qiusuo was Xinruixin Wire’s only guarantor for its first loan (of up to RMB 20 million). Why would Li Xianhua do that if he was not connected to Xinruixin / Xinruixin Wire?

On October 31, 2017, Xinruixin sold its entire 90% stake of Xinruixin Wire to Xinruixin's existing shareholders. At that time, Xinruixin Wire comprised 47% of Xinruixin's assets.

因公司战略规划和业务发展需要，公司拟以现金人民币 900 万元出售其持有的浙江新瑞欣精密线锯有限公司 90% 股权，其中控股股东、实际控制人黄志坚以现金人民币 4,371,428.57 元购买公司持有子公司 43.71% 股权，股东吕德国以现金人民币 2,485,714.28 元购买公司持有子公司 24.85% 股权，股东朱春良以现金人民币 857,142.86 元购买公司持有子公司 8.57% 股权，股东王昱以现金人民币 857,142.86 元购买公司持有子公司 8.57% 股权，股东黄爱武以现金人民币 428,571.43 元购买公司持有子公司 4.28% 股权。此次交

Red Box translation: the Company intends to sell its 90% stake in Xinruixin Wire for cash consideration of RMB9 million

公司经审计的公告 2016 年度合并财务会计报表期末资产总额和净资产分别为人民币 94,995,659.25 元和 15,313,373.52 元。截至 2017 年 8 月 31 日，子公司经审计的资产总额为 44,761,884.11 元，净资产为 6,846,940.79 元，占公司 2016 年度经审计的资产总额的 47.12%，占公司 2016 年度经审计的净资产的 44.71%，公司最近 12 个月内也不存在连续出售同类资产的情况，故本次交易不构成重大资产重组。

Red Box translation: As of 31 August 2017, the audited total assets of the subsidiary (Xinruixin Wire) are RMB 44.8 million (47.12% of Xinruixin's total assets in FY2016), and the net assets are RMB 6.85 million (44.71% of Xinruixin's net assets in FY2016)

Source: Xinruixin's NEEQ filing dated 31 October 2017 on disposal of Xinruixin Wire

WITHIN ONE MONTH, 38% of Xinruixin Wire was flipped and resold to Li Xianhua, making him the single largest shareholder of Xinruixin's former substantial subsidiary.⁷ With his newfound ownership came additional responsibilities, such as Chairman, Legal Rep, and Manager of Xinruixin Wire.

2017-11-28	出资方式备案	姓名:黄志坚;出资额:437.1429万;出资形式:货币 姓名:王昱;出资额:85.7143万;出资形式:货币 姓名:陈吉兵;出资额:100万;出资形式:货币 姓名:朱春良;出资额:85.7143万;出资形式:货币 【退出】 姓名:吕德国;出资额:248.5714万;出资形式:货币 【退出】 姓名:黄爱武;出资额:42.8571万;出资形式:货币 【退出】	货币姓名:王昱;出资额:85.714286万;出资形式:货币 货币姓名:黄志坚;出资额:291.428571(-145.714)万;出资形式:货币 货币姓名:陈吉兵;出资额:40(-60)万;出资形式:货币 货币姓名:朱春良;出资额:85.714286万;出资形式:货币 【新增】 货币姓名:潘健;出资额:30万;出资形式:【新增】 企业名称:海宁市云顺工贸合伙企业(有限合伙);出资额:95.714286万;出资形式:【新增】 企业名称:上海市求索股权投资管理中心(有限合伙);出资额:371.428571万;出资形式:【新增】	Red Box translation: 28 November 2017, Shangrao Qiusuo (100% owned by Li Xianhua) contributed RMB3.7 million share capital; Haining Trade (10.45% owned by Li Xianhua) contributed RMB 0.96 million share capital
2017-11-28	法定代表人变更 带有*标记的为法定代表人	黄志坚	李仙华*	
Red Box translation: 28 November 2017, Legal Representative changed from Huang Zhijian to Li Xianhua				
2017-11-28	高级管理人员备案 带有*标记的为法定代表人	姓名:黄志坚;证件号码:*****;职位:经理 姓名:黄志坚;证件号码:*****;职位:执行董事 姓名:陈吉兵;证件号码:*****;职位:监事	姓名:陈吉兵;证件号码:*****;职位:董事 姓名:王昱;证件号码:*****;职位:董事【新增】 姓名:朱春良;证件号码:*****;职位:董事【新增】 姓名:李仙华;证件号码:*****;职位:董事长【新增】 姓名:李仙华;证件号码:*****;职位:经理【新增】	Red Box translation: 28 November 2017, Li Xianhua was added as Chairman and Manager
2017-11-20	出资方式备案	货币姓名:陈吉兵;出资额:***万;出资形式:货币 企业名称:浙江新瑞欣玻璃股份有限公司;出资额:***万;出资形式:【退出】	姓名:陈吉兵;出资额:***万;出资形式:货币 姓名:黄志坚;出资额:***,***万;出资形式:货币【新增】 姓名:王昱;出资额:**,***万;出资形式:货币【新增】 姓名:朱春良;出资额:**,***万;出资形式:货币【新增】 姓名:吕德国;出资额:***,***万;出资形式:货币【新增】 姓名:黄爱武;出资额:**,***万;出资形式:货币【新增】	
Red Box translation: 20 November 2017, Xinruixin exited as a shareholder of Xinruixin Wire. Huang Zhijian, Wang Yu, Zhu Chunliang, Lv Deguo and Huang Aiwu acquired Xinruixin's 90% stake.				

Source: Qichacha.com

⁷ Li Xianhua's ownership of Xinruixin Wire was held by Shangrao Qiusuo Equity Investment Management Center (Limited Partnership) (上海市求索股权投资管理中心(有限合伙), "Shangrao Qiusuo") and Haining Yunshun Industry & Trade Partnership (Limited Partnership) (海宁市云顺工贸合伙企业(有限合伙), "Haining Trade")

As of the date of this report, Li Xianhua maintained 35.1% interest in Xinruixin Wire via his 100% ownership interest in Shangrao Qiusuo and his 10.45% stake in Haining Trade.⁸ Shangrao Qiusuo's primary contact information listed a JKS employee.

Shangrao Qiusuo contact information

求索股权 上饶市求索股权投资管理中心 (有限合伙) 我要认证 监控

存续 Shangrao Qiusuo

电话: 0793-8461400 编辑 官网: 暂无

邮箱: tianfa.wu@jinkosolar.com 地址: 江西省上饶经济技术开发区工业四路 附近企业

浏览量: 477

远信实业 所属集团: 远信实业 成员 4 高管 7

求索股权 股权穿透图 挖掘深层股权结构

求索股权 企业图谱 企业信息一图掌控

Source: qichacha.com

We believe the evidence suggests Li Xianhua had significant control over Xinruixin / Xinruixin Wire even before November 2017 and Xinruixin's disposal of Xinruixin Wire was orchestrated to transfer legal ownership to Li Xianhua without triggering related party transaction disclosure requirements.

Xinruixin's business would not have existed without the support of JKS. Firstly, 99%+ of Xinruixin's sales during the track record period were from JKS. Secondly, Li Xianhua's private enterprise Zhejiang Qiusuo guaranteed financing arrangements for Xinruixin when he wasn't even a Xinruixin shareholder. Thirdly, through two separate equity disposals in 4Q'17, roughly ~50% of Xinruixin's assets were disposed to insiders led by Li Xianhua.

⁸ Source: Qichacha.com

OVERSTATED AUSTRALIAN SOLAR MODULE SALES BY US\$ 209 MILLION

With sales to the United States in decline since 2016, JKS buoyed its international sales with growth from other countries, specifically Australia. By 2018 Australia had become one of JKS’ three largest export markets.

In 2018, we generated 73.6% of our total revenue from overseas markets, and the United States, Mexico and **Australia**, our three largest export markets, represented 10.9%, 8.9% and 8.3% of our total revenue, respectively. As a result, any significant reduction in the

Source: JKS 2018 20-F – p. 11

JKS’ SEC filings reported that Australian sales that accelerated from US\$ 37 million (RMB 261 million) in 2016 to US\$ 302+ million (RMB 2+ billion) in 2018, up 696% in 2 years.

	2016		2017		2018		
	RMB	(%)	RMB	(%)	RMB	US\$	(%)
(in thousands, except percentages)							
Inside China (including Hong Kong and Taiwan)							
Outside China							
United States	7,701,560.2	36.0%	4,062,665.3	15.3%	2,736,641.9	398,028.1	10.9%
Mexico	119,326.0	0.6%	2,759,307.9	10.4%	2,224,866.2	323,593.4	8.9%
Australia	261,450.4	1.2%	780,619.9	2.9%	2,080,920.7	302,657.4	8.3%
Japan	992,645.5	4.6%	1,291,492.5	4.9%	1,889,728.5	274,849.6	7.5%
United Arab Emirates	4,385.8	0.0%	1,232,505.4	4.7%	1,605,363.1	233,490.4	6.4%
Vietnam	3,838.3	0.0%	25,638.7	0.1%	1,021,164.3	148,522.2	4.1%
Egypt	10,878.8	0.1%	4,876.1	0.0%	783,360.5	113,935.1	3.1%
Spain	16,558.5	0.1%	44,213.3	0.2%	584,803.6	85,056.2	2.3%
Germany	137,285.7	0.6%	395,282.8	1.5%	463,060.3	67,349.3	1.8%
Rest of the world	3,903,665.8	18.2%	6,021,486.5	22.7%	5,042,016.1	733,330.6	20.1%
Sub-total	<u>13,151,595.0</u>	<u>61.5%</u>	<u>16,618,088.4</u>	<u>62.8%</u>	<u>18,431,925.2</u>	<u>2,680,812.3</u>	<u>73.6%</u>
Total	<u>21,400,638.1</u>	<u>100.0%</u>	<u>26,472,943.5</u>	<u>100.0%</u>	<u>25,042,613.3</u>	<u>3,642,297.0</u>	<u>100.0%</u>

Source: 2018 20-F p. 58

Australian Securities & Investments Commission (“ASIC”) database filings for JKS’ only Australian operating subsidiary, Jinko Solar Australia Holdings Co., Pty Ltd. (“JKS Australia”) corroborated the accuracy of JKS’ SEC-reported Australian sales figures in 2015 and 2016.⁹

However, in 2017 and 2018, JKS’ SEC-reported Australian sales were US\$ 209 million higher than what was reported by JKS’ ASIC filings which showed that JKS fabricated its Australian sales in its SEC filings in 2017 and 2018.¹⁰

⁹ Note: JKS did not disclose sales specific to Australia prior to 2015.

¹⁰ ASIC 2019 Annual Reports not available at the time of this report.

Sales Discrepancy Between ASIC and SEC Filings

<i>Figures in USD'000</i>	2015	2016	2017	2018
SEC Reported Australian Sales	32,911	37,642	119,488	302,555
% growth		14%	217%	153%
ASIC Reported Australian Sales	33,317	37,500	79,642	132,709
% growth		13%	112%	67%
Difference	(406)	142	39,846	169,846
% Overstatement	-1%	0%	33%	56%

*Note: JKS did not disclose sales specific to Australia prior to 2015.
Source: JKS 20-F, JKS Australia 2016 and 2018 ASIC annual returns*

We believe we accurately compared JKS’ reported figures “apples-to-apples” between JKS’ SEC filings and JKS’ ASIC filings. JKS’ SEC filings disclosed that JKS historically had only one meaningful subsidiary in Australia since 2011. JKS disclosed that its subsidiaries file separate income tax returns, and that the only entity in Australia is JKS Australia.

Jinko Solar **Australia** Holdings Co. Pty Ltd (“Jinko **Australia**”) | December 7, 2011 | **Australia** | 100%

Australia

Jinko **Australia** is incorporated in **Australia** and is subject to corporate income tax at 30%.

Source: 2018 JKS 20-F – p. F-31

A search of the ASIC database for “Jinko” confirmed that JKS Australia was JKS’ only registered subsidiary in Australia.

The screenshot shows a search for "jinko" in the ASIC database. The search criteria are "Within: Organisation & Business Names" and "For: jinko". The results table lists six entries:

Name (*indicates former name)	Number	Type	Status	Address
JINKO INDUSTRIES PTY. LTD.	ACN 109 490 511	Australian Propr...	Deregistered	
* JINKO SOLAR AUSTRALIA PTY LTD.	ACN 153 675 462	Australian Propr...	Deregistered	
JINKO SOLAR AUSTRALIA	QLD BN22263706	Business Name	Cancelled	
JINKO POWER AUSTRALIA I PTY LTD	ACN 625 547 113	Australian Propr...	Registered	SYDNEY NSW 2000
* JINKO SOLAR AUSTRALIA HOLDIN...	ACN 154 662 889	Australian Com...	Registered	PARRAMATTA NSW 2150
JINKO SOLAR AUSTRALIA HOLDINGS...	ACN 154 662 889	Australian Propr...	Registered	PARRAMATTA NSW 2150

Source: ASIC Database

https://connectonline ASIC.gov.au/RegistrySearch/faces/landing/SearchRegisters.jspx?_adf.ctrl-state=yw919s1ky_46

JKS' 2017 and 2018 20-F SEC filings included a non-exhaustive list of module customers. Those customers with Australian-based construction projects in 2017 and 2018 included Green Light Contractors Pty Ltd ("Green Light") and UGL Limited ("UGL") and Decmil Australia Pty Ltd ("Decmil").¹¹

Our review of JKS' disclosed Australian customer operations in 2017 and 2018 corroborated the accuracy of JKS' ASIC reported Australian sales figure.

Decmil: JKS disclosed that it had signed a contract with EPC contractor Decmil Group (ASX: DCG) to supply the 255 MW Sunraysia Solar Farm power plant in Australia.

In September 2018, we entered into a contract with Decmil Australia Pty Ltd, to supply 255MWp high-efficiency solar panels for the Sunraysia Solar Farm developed by Maoneng Group.

Source: JKS 2018 20-F - p. 59

On January 23, 2019, Decmil disclosed in a LinkedIn post that its Accommodation Camp opened on January 3, 2019 and in January 2019 its first pilings were driven into the ground suggesting that no solar modules were purchased in either 2017 nor 2018.



DEC MIL

24,017 followers

1y · Edited

It's all systems go on the Sunraysia Solar Farm, a large scale solar photovoltaic project located in Balranald, NSW. The Accommodation Camp opened its doors on the 3rd January for the first 150 staff and tradespeople. We have completed the Yanga Highway road intersection works; the all-weather access road; the security fence around the site (1000ha); and all staff have mobilised into the new onsite office. The first pile has been driven with thousands to follow!



Source: <https://reneweconomy.com.au/construction-begins-on-255mw-sunraysia-solar-farm-in-nsw-19587/>

As a side note, Decmil's stock was recently suspended after a number of negative developments. In December 2019 the Sunraysia solar project had yet to get the green light from the market operator, forcing Decmil to take an AU\$ 14 million hit because of a dispute with John Laing and Maoneng over the delay.¹² Later in December 2019 Decmil's CFO unexpectedly resigned and its stock dropped. In February 2020, Decmil's stock was suspended after it was no longer in contention for the Rapid Deployment Prison Projects in New Zealand.

Not great news for Decmil and the Sunraysia project.

¹¹ Source: JKS 2018 20-F – p. 50

¹² <https://reneweconomy.com.au/decmil-shares-slump-after-problems-at-huge-sunraysia-solar-project-76698/>

Green Light: JKS disclosed that in June 2018 it supplied 275 MW of modules to Green Light for use in the Bungala Solar Farm in Australia.

In June 2018, we supplied 275.4 MWdc of high-efficiency modules to Green Light Contractors Pty Ltd for use in the Bungala Solar Farm near Port Augusta, South Australia, the largest solar PV project under construction in Australia.

Source: JKS 2018 20-F - p. 59

Green Light’s ASIC filings revealed total material costs of AU\$ 113 million and AU\$ 40 million in 2018 and 2017, respectively, while not having any inventory as of CYE’ 18. Green Light does not disclose specifics about the identities of its suppliers, so it is unclear whether 100% of Green Light’s reported material costs were purchased from JKS.

Raw Materials and Consumables Used

	2018	2017
	\$	\$
Material costs	113,267,455	40,016,799
Subcontractor costs	94,274,106	18,457,243
Consulting costs	1,368,334	3,692,389
Importation costs	4,903,903	1,455,685
Insurance costs	(46,309)	1,956,233
Net realised foreign exchange (gain)/loss	(2,022,342)	974,462
Others	2,095,363	705,064
Total	213,840,510	67,257,875

	Note	2018	2017
		\$	\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents			
Trade and other receivables	8	49,725,352	49,790,462
Income tax receivables	9	2,781,789	46,487,990
Other assets		-	2,371,481
TOTAL CURRENT ASSETS	10	690,848	1,257
NON-CURRENT ASSETS		53,197,989	98,651,190

Source: Green Light 2018 Financial Statements on ASIC p. 5, 17

UGL: UGL is a contractor subsidiary of Cimic Group (ASX: CIM) (“Cimic”). Historically Cimic generated US\$ 10+ billion a year in sales so limited details were given about UGL’s specific operations. However, Cimic’s 2019 annual report disclosed that “UGL’s experience in renewables and solar includes the construction and commissioning of 12 solar farms, and six other renewable projects with a current output of 380 megawatts across Australia”.

UGL invited to share renewables expertise
 As the renewables sector evolves, the key question now being raised is ‘What’s next’? Representatives from UGL were invited to address this question in June 2019 at the Australia-Korea Business Council (AKBC) Conference as part of a larger Australian Energy Storage conference held in Sydney, New South Wales.

It was made clear at the conference that Korean investors are interested in local Australian installers who know the landscape and have a strong reputation in the field. Recognising their leadership in the Australian renewables market, UGL was asked to provide a presentation focusing on trends and upcoming projects in Australia. They also highlighted UGL’s capabilities in solar and battery installation, and strong history of performance in high voltage power management. The conference was an excellent opportunity to develop deeper and broader relationships with Korean organisations interested in creating partnerships in Australia.

While UGL is well positioned, they are also taking a longer-term look at other technologies, such as pumped hydro and waste-to-energy, which are expected to play a large part in Australia’s renewable energy future. UGL’s experience in renewables and solar includes the construction and commissioning of 12 solar farms, and six other renewable projects with a current output of 380 megawatts across Australia.

Source: Cimic Group 2019 Annual Report - p. 116

JKS disclosed that its solar module average price per watt declined from US\$ 0.38 in 2017 to US\$ 0.31 in 2018, in-line with macro industry pricing pressures on commoditized solar module technology.¹³

If we apply JKS' 2018 average module sales price of US\$ 0.31 to 100% of UGL's 380 MW module installations at all 18 of its solar farm power plants, UGL's maximum solar module purchases would be US\$ 119 million in total historical purchases, not just in 2018.

Putting these three customer does not explain the discrepancy between SEC-reported and ASIC-reported sales.

2018 Purchase Amounts by Australian customers

	Project capacity (MW)	Ave. Selling Price (USD/W)	Purchase Amt (USD'000)
Green Light - Bungala solar farm	275.4	0.290	79,855
UGL - ALL projects	380.0	0.314	119,154
Decmil - Sunraysia solar farm	-	-	-
Potential Sales	655.4		199,009
Jinko Solar SEC filings			302,555
Overstatement			103,546
Overstatement (%)			34%

Source: JKS 2018 20-F SEC filing, Green Light 2018 ASIC filing, UGL 2019 Annual Report, Sunraysia website

To us, customer ASIC filings corroborate that JKS' SEC-reported Australian sales appear artificially inflated.

¹³ JKS 2017 20-F – p. 90; JKS 2018 20-F – p. 96

UNDERSTATED LIABILITIES BY US \$ 42 MILLION

Evidence shows that JKS lied about the disposal of its South African subsidiary to an independent third party and that JKS remains liable for US\$ 42 million of customs duties owed to South African authorities that should be reflected on JKS' current consolidated financial statements.

In December 2017, the South African Revenue Services (“SARS”) found JKS' only South African subsidiary (“JKS South Africa”) to be liable for US\$ 42 million in import taxes due to South Africa. JKS' reaction was to appeal, refute and defend against all claims. In 2017 JKS accounted for the contingent liability with RMB 70,000, immaterial to its financial statements.

In December 2018, JKS disposed of JKS South Africa to a supposed “independent third party” and no longer consolidated JKS South Africa for its 2018 reported SEC filings.

the Customs National Appeals Committee of South Africa. In December, 2018, Jiangxi Jinko had transferred 100% equity interest in Jinko Solar Investment (Pty) Ltd to an independent third party, at which point both Jinko Solar Investment (Pty) Ltd and its subsidiary JinkoSolar (Pty) Ltd were no longer our affiliated companies and their financial results are no longer consolidated into our consolidated financial statements.

Source: JKS 2018 20-F - p. 23

Who is this mystery independent third party that wanted to acquire JKS South Africa despite its customs duties liability overhang?

Information filed with the South Africa Companies and Intellectual Property Commission (“CIPC”) contains business history details including enterprise and director details. Details for JKS South Africa revealed an address change in 2018 to 64 Kort Street, Parys, Free State.

Enterprise Details	Director Details	Annual Return Details	Enterprise History
Enterprise Details			
Enterprise Number	K2012177028		
Enterprise Name	JINKO SOLAR		
Enterprise Type	Private Company		
Enterprise Status	In Business		
Compliance Notice Status	NONE		
Registration Date	2012-09-28		
PHYSICAL ADDRESS:		POSTAL ADDRESS:	
64 KORT STREET		64 KORT STREET	
PARYS		PARYS	
PARYS		PARYS	
FREE STATE		FREE STATE	
9585		9585	

Source: South Africa Companies and Intellectual Property Commission (“CIPC”)
<https://eservices.cipc.co.za/Search.aspx>

In February 2020 we sent investigators to 64 Kort Street, Parys, Free State 9585 to visit the “*independent third party*” that acquired JKS South Africa and relocated it from Cape Town to Parys, Free State. Our investigators found a former minimart and bbq chicken location had been turned into a wall of cheap clothes and backpacks.

64 Kort St. Parys, Free State, South Africa – as of February 2020



Source: February 2020 Bonitas Field Work – JKS South Africa Current Address

Google Maps captured an image in December 2010 of Makhulu Chicken and Parys mini market as primary tenants of 64 Kort Street, suggesting that this location did not have a history of being used for solar module production.

64 Kort St. Parys, Free State South Africa – as of December 2010



Source: Google Maps 2010

Wei Lu was JKS South Africa's sole director since 2014.¹⁴ CIPC filings reveal that Wei Lu kept another registered business called Fukumoto Logistics which listed the same physical address as JKS South Africa, 64 Kort Street.

Enterprise Details

Enterprise Number	K2013001854
Enterprise Name	FUKUMOTO LOGISTICS
Enterprise Type	Private Company
Enterprise Status	In Business
Compliance Notice Status	NONE
Registration Date	2013-01-08

PHYSICAL ADDRESS:

64 KORT STREET
PARYS
PARYS
FREE STATE
9585

POSTAL ADDRESS:

P O BOX 1207
WESTVILLE
WESTVILLE
KWA-ZULU NATAL
3630

Source: South Africa Companies and Intellectual Property Commission ("CIPC")
<https://eservices.cipc.co.za/Search.aspx>

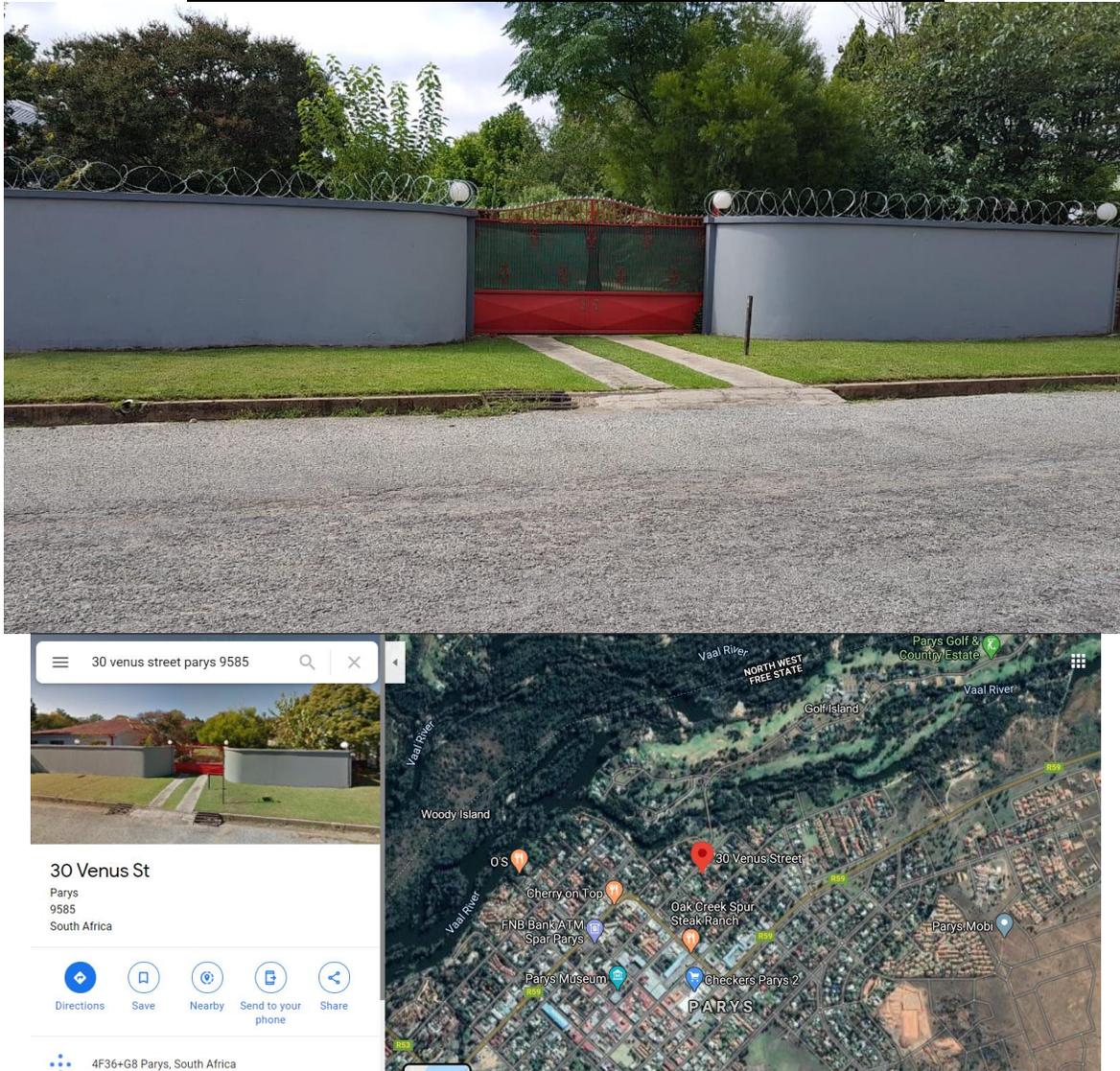
To be clear, JKS told investors that it disposed JKS South Africa to an independent third party in December 2018. Our investigators visited the updated JKS South Africa physical address to see what the new owners did with JKS South Africa. The storefront of the alleged independent third party that Chairman Li stuffed with US\$ 42 million in unpaid customs duties sells cheap clothes and backpacks.

We verified that the storefront was the same registered physical address for a separate logistics company maintained by JKS South Africa's long-time sole director Wei Lu. Our assumption is that JKS South Africa's US\$ 42 million liability is being held by an undisclosed insider.

¹⁴ Source: South Africa Companies and Intellectual Property Commission ("CIPC")

We tried to reach Mr. Lu. We went to his former registered addresses. We tried to call his registered numbers. We visited his residential address in Parys, Free State, South Africa but were unable to make contact.

30 Venus Street, Parys, Free State South Africa – as of February 2020



Source: Google Maps, Bonitas Field Work – February 2020

We believe the truth is that JKS lied about the disposal of JKS South Africa to an independent third party and that JKS South Africa’s US\$ 42 million liability should be reflected as a liability on JKS’ balance sheet.

DISCLAIMER

We are short sellers. We are biased. So are long investors. So is JKS. So are the banks that raised money for JKS. If you are invested (either long or short) in JKS, so are you. Just because we are biased does not mean that we are wrong. We, like everyone else, are entitled to our opinions and to the right to express such opinions in a public forum. We believe that the publication of our opinions about the public companies we research is in the public interest.

You are reading a short-biased opinion piece. We stand to profit if the price of JKS' stock declines. This report and all statements contained herein are the opinion of Bonitas Research LLC ("Bonitas") and are not statements of fact. Our opinions are held in good faith, and we have based them upon publicly available evidence, which we set out in our research report to support our opinions. We conducted research and analysis based on public information in a manner that any person could have done if they had been interested in doing so. You can publicly access any piece of evidence cited in this report or that we relied on to write this report. Think critically about our report and do your own homework before making any investment decisions. We are prepared to support everything we say, if necessary, in a court of law.

As of the publication date of this report, Bonitas (a Texas limited liability company) (possibly along with or through our members, partners, affiliates, employees, and/or consultants) along with our clients and/or investors has a direct or indirect short position in the stock (and/or possibly other options or instruments) of the company covered herein, and therefore stands to realize significant gains if the price of such instrument declines. Use Bonitas' research at your own risk. You should do your own research and due diligence before making any investment decision with respect to the securities covered herein. The opinions expressed in this report are not investment advice nor should they be construed as investment advice or any recommendation of any kind.

Following publication of this report, we intend to continue transacting in the securities covered therein, and we may be long, short, or neutral at any time hereafter regardless of our initial opinion. This is not an offer to sell or a solicitation of an offer to buy any security, nor shall any security be offered or sold to any person, in any jurisdiction in which such offer would be unlawful under the securities laws of such jurisdiction. To the best of our ability and belief, all information contained herein is accurate and reliable, and has been obtained from public sources we believe to be accurate and reliable, and who are not insiders or connected persons of the stock covered herein or who may otherwise owe any fiduciary duty or duty of confidentiality to the issuer. As is evident by the contents of our research and analysis, we expend considerable time and attention in an effort to ensure that our research analysis and written materials are complete and accurate. We strive for accuracy and completeness to support our opinions, and we have a good-faith belief in everything we write, however, all such information is presented "as is," without warranty of any kind— whether express or implied.

If you are in the United Kingdom, you confirm that you are subscribing and/or accessing Bonitas' research and materials on behalf of: (A) a high net worth entity (e.g., a company with net assets of GBP 5 million or a high value trust) falling within Article 49 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "FPO"); or (B) an investment professional (e.g., a financial institution, government or local authority, or international organization) falling within Article 19 of the FPO.

This report is not available to Australian residents. This report and its contents are not intended to be and do not constitute or contain any financial product advice as defined in the Australian Corporations Act 2001 (Cth). Because this document has been prepared without consideration of any specific client's investment objectives, financial situation or needs, no information in this report should be construed as recommending or suggesting an investment strategy. Investors should seek their own financial, legal and tax advice in respect of any decision regarding any securities discussed herein. Currently, because of ambiguity in Australian law, we are restricting access to our reports by Australian residents. Australian residents are encouraged to contact their lawmakers to clarify the ambiguity under Australian financial licensing requirements.

This report should only be considered in its entirety. Each section should be read in the context of the entire report, and no section, paragraph, sentence or phrase is intended to stand alone or to be interpreted in isolation without reference to the rest of the report. The section headings contained in this report are for reference purposes only and may only be considered in conjunction with the detailed statements of opinions in their respective sections.

For convenience purposes only, we have provided a Chinese translation of this report. In case of any discrepancy or inconsistency between the Chinese and the English versions, the English version is the original and should prevail. In case of any legal dispute, reference shall be made only to the English version.

Bonitas makes no representation, express or implied, as to the accuracy, timeliness, or completeness of any such information or with regard to the results to be obtained from its use. All expressions of opinion are subject to change without notice, and Bonitas does not undertake a duty to update or supplement this report or any of the information contained herein. By downloading and opening this report you knowingly and independently agree: (i) that any dispute arising from your use of this report or viewing the material herein shall be governed by the laws of the State of Texas, without regard to any conflict of law provisions; (ii) to submit to the personal and exclusive jurisdiction of the superior courts located within the State of Texas and waive your right to any other jurisdiction or applicable law, given that Bonitas is a Texas limited liability company that operates in Texas; and (iii) that regardless of any statute or law to the contrary, any claim or cause of action arising out of or related to use of this website or the material herein must be filed within one (1) year after such claim or cause of action arose or be forever barred. The failure of Bonitas to exercise or enforce any right or provision of this disclaimer shall not constitute a waiver of this right or provision. If any provision of this disclaimer is found by a court of competent jurisdiction to be invalid, the parties nevertheless agree that the court should endeavor to give effect to the parties' intentions as reflected in the provision and rule that the other provisions of this disclaimer remain in full force and effect, in particular as to this governing law and jurisdiction provision.