



Abalance – Turning Japanese? We really don't think so

VSUN solar energy products currently circumvent US duties and will be restricted for sale from 2024 in the USA. Chinese components currently sourced from forced labor trade partners.

PLEASE READ IMPORTANT DISCLAIMER – PAGE 3

May 17, 2023 – Abalance is a Japanese corporation which purports to be a solar panel manufacturer. Approximately 90% of the company's revenues are derived from its Vietnamese subsidiary, Vietnam Sunergy Joint Stock Corporation (**VSUN**).

VSUN's only application in the supply chain of solar panels is the lamination of the cells into their frames. Solar cells are purchased from Chinese suppliers connected to forced labor camps in Xinjiang.

In an attempt to remedy impending trade restrictions: Abalance claims to be developing a solar cell manufacturing facility in Vietnam, due to be completed in October 2023. Local filings show that no such construction permits have been approved. Forecast cell capacity will fall far below current panel manufacturing output. Site visits suggest the project will not be completed on schedule.

The Dumping, Trade Restrictions & Circumvention

- Abalance's golden goose, Vietnam Sunergy Joint Stock Company (**VSUN**), is a pass-through assembly plant for Chinese products. It serves the sole purpose of avoiding US Anti-Dumping and Countervailing Duties (**AD/CVD**).
 - VSUN's Vietnamese facilities manufacturing capabilities are limited to the least technically complex later stages of solar panel assembly.
 - VSUN import data shows that it purchases effectively all its components from Chinese suppliers, which it assembles in Vietnam to circumvent Anti-Dumping and Countervailing Duties in the USA: its major market.
- Abalance's solar panels will be subject to crippling restrictions by the USA's Department of Commerce (**DoC**) set to take effect in June 2024. These restrictions are aimed at companies in Vietnam, Thailand, Malaysia, and Cambodia functioning as pass-throughs for Chinese-made solar panels and components.
 - VSUN failed to respond to a DoC inquiry into the origin of their products.
 - VSUN has many ties to its former Chinese owners, including shared staff, CE certifications and near-identical model numbers and catalogues.
 - VSUN's recruitment page shows many senior positions in Shanghai, China.
- In FY 2022 North America accounted for 74% of Abalance's sales, with solar panels accounting for 88% of revenue for the year. We believe the actions outlined by the DoC will effectively remove this revenue stream.
 - The restrictions include suspension of liquidation and steep cash deposit requirements for US imports.

The VSUN Phoenix

- VSUN was acquired by Abalance subsidiary Fuji Solar in 2019. It was previously a subsidiary of the China Sunergy Group (**CSUN**). CSUN was a US-listed Chinese solar panel supplier pretending to be a solar panel manufacturer. In reality, its business operations were more akin to a chop-shop.
 - CSUN was at several times listed on the NASDAQ and delisted from the NASDAQ for failing to meet listing requirements. Its accounts were mired with internal control deficiencies EOMs made by auditors.
 - CSUN hemorrhaged cash, and despite several capital injections, it filed for bankruptcy in October 2021.



- China Sunergy has previously been accused of circumventing AD/CVD through companies set up in Vietnam, among other countries.
- Despite the top-line bump that Abalance has received from its VSUN investment, it is still cash-flow negative and its margins are falling as its pass-through subsidiary makes up a larger part of its business.
- Despite fully consolidating VSUN and stating it owns ~85% of VSUN, Abalance is only entitled to 43% of VSUN's earnings (but apparently all the costs) due an opaque corporate structure.

The Workaround

- VSUN is attempting to shore up its Vietnamese solar cell capacity, expecting 3 GW of capacity to enter production in October 2023.
 - Site visits suggest the project will not be completed on schedule.
 - Forecast cell capacity will fall far below current panel manufacturing output.
- Construction permits for the Vietnamese solar cell manufacturing facility have not been approved.
 - Rudimentary checks in Vietnamese registers show that the site has not been green-flagged for construction.
 - Site visits by Viceroy show no construction certificates displayed at the construction site, as is required by law.
 - On the ground sources expressed deep doubts about Abalance's ability to manufacture cells in Vietnam with a \$300m budget. Our due diligence suggests that it is possible this new facility will be another pass-through plant for restricted Chinese goods, aimed at circumventing US AD/CVD orders.

Forced Labor Connection

- VSUN's supply chain includes Chinese companies linked to forced labor camps in Xinjiang widely known to use the Uyghur ethnic minority as a forced labor workforce.
 - VSUN's solar cells are purchased from Chinese suppliers who source materials from forced labor camps in Xinjiang.
 - Forced labor practices aside, the fact that VSUN imports substantially completed solar components (identified by HSR codes) suggests they are already breaching AD/CVD orders and have been for many years.
- AD/CVD orders are aimed at hamstringing uncompetitive advantages afforded by foreign governments, which directly impact locally owned and operated businesses.
 - In the case of solar cell manufacturing, it is widely known that the among the advantages provided by the CCP are cheap labor tied to forced labor camps in Xinjiang.

Key Takeaways

We believe Abalance is complicit in evading US AD/CVD order and will find itself shut out from the US in June 2024, if not sooner. The links between VSUN and CSUN are well known, and we believe the DoC will act on this matter. Abalance is extremely dependent on VSUN, making up 88% of sales in FY 2022.

Even if VSUN's cell manufacturing site is developed on-schedule and does not circumvent AD/CVD orders, production capacity will be more than halved for the medium-long term, destroying margins and shareholder value.

VSUN appears to be substantially run by former CSUN partners.

In light of these extreme risks, we believe that Abalance is not investible.



Attention: Whistleblowers

Viceroy encourage any parties with information pertaining to misconduct within Abalance, its affiliates, or any other entity to file a report with the appropriate regulatory body.

We also understand first-hand the retaliation whistleblowers sometimes face for championing these issues. Where possible, Viceroy is happy act as intermediaries in providing information to regulators and reporting information in the public interest in order to protect the identities of whistleblowers.

You can contact the Viceroy team via email on viceroy@viceroyresearch.com.

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1. Dumping, Trade Restrictions, and Circumvention

A background on Anti-Dumping & Countervailing Duty in the Solar industry

Note: Vietnam Sunergy and Vietnam Sunergy Joint Stock Company are the same entity with the same company number.

VSUN effectively functions as a laundering destination for restricted Chinese made solar panel components to the US, VSUN's largest market. This loophole is closing.

In 2012, the Department of Commerce (DoC) published Anti-Dumping and Countervailing Duty (**AD/CVD**) orders on Crystalline Silicon Photovoltaic Cells (CSPVs) suspending liquidation of such products.

AGENCY:
Import Administration, International Trade Administration, Department of Commerce.

DATES:
Effective Date: December 7, 2012.

SUMMARY:
Based on affirmative final determinations by the Department of Commerce (the "Department") and the International Trade Commission ("ITC"), the Department is issuing an antidumping duty order on crystalline silicon photovoltaic cells, whether or not assembled into modules ("solar cells"), from the People's Republic of China ("PRC"). In addition, the Department is amending its final determination to correct certain ministerial errors.

Figure 1 – International Trade Administration Notice 77 FR 73018 ¹

Simply put: this AD/CVD means that solar cells from China could no longer pass through US Customs without expensive bonds, untimely processing, and excessive duties, to the degree that Chinese suppliers would no longer have a price advantage on identical products.

This duty was in response to an investigation petitioned by local and international solar panel manufacturers². Chinese suppliers, with local government subsidies, were selling panels and cells to US consumers at below fair value. These trade restrictions are not uncommon.

¹ <https://www.federalregister.gov/documents/2012/12/07/2012-29668/crystalline-silicon-photovoltaic-cells-whether-or-not-assembled-into-modules-from-the-peoples>

² https://enforcement.trade.gov/download/factsheets/factsheet_prc-solar-cells-ad-cvd-init.pdf



Tax Evading: how to circumvent AD/CVD

Since the imposition of the 2012 Order, import volumes from China have fallen drastically while those from SE Asia have exploded. Imports from Vietnam have increased from \$1.3m in 2011 to \$1.6b in 2020.

At the same time, U.S. imports of CSPV cells and modules from Vietnam have surged. In 2011, the United States imported a mere \$1.3 million of CSPV cells and modules from Vietnam.²⁸ Since then, Vietnamese imports dramatically increased, to more than \$1.6 billion in 2020.²⁹ This trend

Figure 2 – Crystalline Silicon Photovoltaic Cells, Whether or Not Assembled into Modules, from the PRC

Solar panels are not simple to manufacture but the complexity is largely concentrated at the earlier stages of manufacturing, in particular the refinement of polysilicon, its cutting into wafers and its formation into a cell. The latter stages are simpler: the cells are soldered into the desired panel configuration, laminated, lined with glass and a backing sheet and aluminum siding and a junction box are fitted.

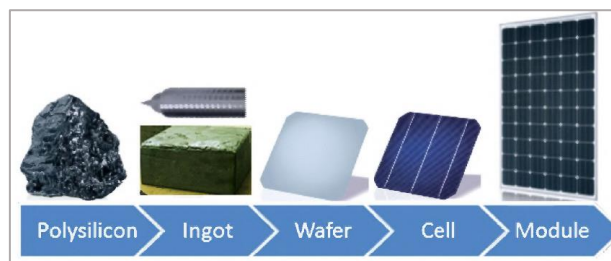


Figure 3 – Energy for You and Me – US Department of Energy

VSUN is one of many attempting to circumvent US AD/CVD orders by importing cells from China to Vietnam and performing minimal assembly of products which are then exported to the US.

Department of Commerce Investigation & Further Sanctions

On February 8, 2022, Auxin Solar, a US producer of solar cells and panels claimed that companies in Vietnam, Cambodia, Malaysia, and Thailand were circumventing US AD/CVD orders³. The allegation is that the Chinese solar industry was utilizing SE Asian neighbors to circumvent the orders, while the bulk of manufacturing still occurred in China.

AGENCY:
Enforcement and Compliance, International Trade Administration, Department of Commerce.

SUMMARY:
In response to a request from Auxin Solar Inc. (Auxin), the Department of Commerce (Commerce) is initiating country-wide circumvention inquiries to determine whether imports of crystalline silicon photovoltaic cells, whether or not assembled into modules (solar cells and modules), which are completed in Cambodia, Malaysia, Thailand, or Vietnam using parts and components from the People's Republic of China (China), are circumventing the antidumping duty (AD) and countervailing duty (CVD) orders on solar cells and modules from China.

Figure 4 – International Trade Administration Notice 87 FR 19071 ⁴

The DoC commenced an investigation in April 2022 and sent producers in each country a quantity and value (Q&V) questionnaire. The aim was to determine how much actual manufacturing was done by these companies in the respective countries.

³ A previous request for investigation by an anonymous group of US producers had previously been rejected by Commerce.

⁴<https://www.federalregister.gov/documents/2012/12/07/2012-29668/crystalline-silicon-photovoltaic-cells-whether-or-not-assembled-into-modules-from-the-peoples>



Companies that did not respond to the Q&V questionnaire were considered to have Adverse Facts Available (AFA) with regards to circumvention. In December 2022 the US DoC issued its Preliminary Affirmative Determinations of Circumvention with respect to Cambodia, Malaysia, Thailand, and Vietnam.

Companies That Failed to Respond to the Q&V Questionnaire

1. Cong Ty Co Phan Cong Nghe Nang (Global Energy)
2. GCL System Integration Technology
3. Green Wing Solar Technology Co., Ltd.
4. HT Solar Vietnam Limited Company
5. Irex Energy Joint Stock Company
6. S-Solar Viet Nam Company Limited
7. Venergy Solar Industry Company
8. Vietnam Sunergy Joint Stock Company
9. Red Sun Energy Co., Ltd

Figure 5 – Enforcement Memorandum – Circumvention Inquiry Vietnam 2022 ⁵

The investigation of Vietnamese companies showed that VSUN failed to respond to the Q&V questionnaire despite receiving it. We note the following:

- VSUN filed comments on cash deposit and certification process.
- The inquiry report does make a distinction between Vietnam Sunergy Joint Stock Company and Vietnam Sunergy despite them being the same company. Vietnam Sunergy did not respond to the Q&V questionnaire and was thus found to be circumventing the orders.

Temporary Relief by Executive Order

Concurrent to the investigation by the DoC into the circumvention of AD/CVD, the White House issued a “Declaration of Emergency and Authorization of Temporary Extension of Time and Duty-Free Importation of Solar Cells and Modules from Southeast Asia” in June 2022.

Under this declaration: companies that are not on the exempt list (ie: are unable to prove that the bulk of their manufacturing occurs outside of China) by June 2024 will find liquidation of their goods suspended, effectively locking them out of the US.

(b) To provide relief from the emergency, the Secretary shall consider taking appropriate action under section 1318(a) of title 19, United States Code, to permit, until 24 months after the date of this proclamation or until the emergency declared herein has terminated, whichever occurs first, under such regulations and under such conditions as the Secretary may prescribe, the importation, free of the collection of duties and estimated duties, if applicable, under sections 1671, 1673, 1675, and 1677j of title 19, United States Code, of certain solar cells and modules, exported from the Kingdom of Cambodia, Malaysia, the Kingdom of Thailand, and the Socialist Republic of Vietnam, and that are not already subject to an antidumping or countervailing duty order as of the date of this proclamation, and to temporarily extend during the course of the emergency the time therein prescribed for the performance of any act related to such imports.

Figure 6 – White House Press Release – June 6, 2022 ⁶

As things stand: VSUN will lose substantially all ability to generate US revenues in 2024.

Viceroy does not believe this decision will be reversed, as we show VSUN is, in fact, a clone of failed US solar fraud, CSUN. Recently the US Senate voted to block the Biden administrations temporary removal of the two-year tariff exemption on solar products from SE Asia⁷. While the measure is expected to be vetoed, the measure has clear bipartisan support.

⁵ <https://www.solarpowerworldonline.com/wp-content/uploads/2022/12/VIETNAM.pdf>

⁶ <https://www.whitehouse.gov/briefing-room/statements-releases/2022/06/06/declaration-of-emergency-and-authorization-for-temporary-extensions-of-time-and-duty-free-importation-of-solar-cells-and-modules-from-southeast-asia/>

⁷ <https://www.wsj.com/articles/bidens-solar-tariff-exemptions-face-disapproval-vote-in-senate-277736f1>



2. CSUN Phoenix – Clear Circumvention of Existing Sanctions

A Background on CSUN

VSUN was a subsidiary of China Sunergy Co. Ltd (**CSUN**) before it was acquired by Abalance in 2019⁸. CSUN was a US-listed Chinese solar panel supplier pretending to be a solar panel manufacturer. In reality, its business operations were more akin to a chop-shop.

CSUN was at several times listed on the NASDAQ and delisted from the NASDAQ for failing to meet listing requirements. Its accounts were mired with internal control deficiency EOMs made by auditors.

Our failure to maintain the listing status on the Nasdaq Stock Market would result in a limited public market for our ADS and make obtaining future debt or equity financing more difficult for us.

Due to our failure to regain compliance with the NASDAQ Listing Rules related to the maintenance of minimum market value of publicly held shares of US\$15,000,000 within a compliance period of 180 calendar days, our securities were removed from listing and registration on the Nasdaq Stock Market on March 17, 2016. The delisting of our ADS from the Nasdaq Stock Market could impair the liquidity and market price of our ADS. Additionally, the delisting of our ADS from a national exchange could materially adversely affect our access to capital markets, and any limitation on market liquidity or reduction in the price of our ADS as a result of that delisting could adversely affect our ability to raise capital on terms acceptable to us, or at all.

There have been historical deficiencies with our internal controls as previously disclosed. In connection with the preparation of the annual report on Form 20-F for the year ended December 31, 2015, we carried out an evaluation of the effectiveness of our internal control over financial reporting. Our management assessed the effectiveness of our internal control over financial reporting for the period covered by this annual report and has concluded that as of December 31, 2015, our disclosure controls and procedures and our internal control over financial reporting were not effective. In addition, our

Figures 7 & 8 – Extracts from CSUN 2015 10-K (filed only in 2017)⁹

CSUN hemorrhaged cash, and despite several capital injections, it filed for bankruptcy in October 2021.

Chinese solar panel affiliate in California files bankruptcy, begins liquidating 400-MW plant

By Kelly Pickarel | October 13, 2021

Figure 9 – Solar Power World article extract – Oct 13, 2021¹⁰

Industry outlets were flooded with former employees commenting on how CSUN was already circumventing AD/CVD orders, rebranding products to distance themselves from themselves, and not delivering on contracts.

Most of the sales staff that the company trusted to do their dirty work, went to work for another shell company based in Cambodia. Other sales staff that worked in the United States were actually employees of China Sunergy. Their whole mission was to divert customers who believed they were going to order US panels to Chinese-produced panels. Hence, they shipped more panels into the US than they made.

Take the creation of "ASUN", that was presented at a SPI show as the only brand this company was selling, (show both was completely branded with "ASUN", including creating spec sheets which were just rebranded CSUN products. At the show, most of the US employees were told to sell "Sunergy California (CSUN), while their US Manager based in Texas and the Chinese staff were tasked to switch ASUN prospects to imported CSUN modules as a way to secure orders while ASUN supposedly ramped up.

CSUN/Sunergy California knew that the buyers needing a large quantities of budget modules, were generally desperate for someone to tell them their orders would be fulfilled in a timely manner.

Figure 10 – Solar Power World comment section – Nov 14, 2021¹¹

⁸ A Corporate Structure Map can be found in the Annexures of this report.

⁹ https://www.sec.gov/Archives/edgar/data/1396247/000114420417002554/v455917_20f.htm

¹⁰ <https://www.solarpowerworldonline.com/2021/10/chinese-solar-panel-affiliate-in-california-files-bankruptcy-begins-liquidating-400-mw-plant/>

¹¹ <https://www.solarpowerworldonline.com/2021/10/chinese-solar-panel-affiliate-in-california-files-bankruptcy-begins-liquidating-400-mw-plant/>



CSUN was subject to various lawsuits from customers claiming non-performance of contracts. Suits also allege that customer deposits were paid to overseas affiliates of CSUN, despite CSUN purporting to manufacture cells in the USA. We extrapolate that CSUN was already in breach of AD/CVD orders.

10 **I. SUMMARY OF ARGUMENT**
11 DEPCOM is a victim of the single business enterprise run by Mr. Lu and his associates.
12 Their scheme was simple: collect deposits from customers, transfer those deposits to affiliates that
13 helped set up a Sacramento-area solar module manufacturing facility (i.e., the Facility), and then
14 fail to provide the contracted-for modules while retaining the deposits. The U.S. arms of the
18 manufacturing equipment). CSUN Solar's role was to collect customer deposits and transfer them
19 to Mr. Lu's related overseas entities, who then "lent" to Sunergy California all but a miniscule
20 fraction of its capital needs and helped pay for the Facility's equipment. CSUN Clean Tech's role

Figures 11 & 12 – DEPCOM POWER, INC vs CSUN SOLAR INC et. al. ¹².

CSUN's products were altogether banned in India for breach of contract and were excluded from Renewable Energy Schemes in Australia lack of conformity to government regulations.

The Indian government plans to blacklist PV module supplier China Sunergy (CSUN) over claims that it failed to meet its contractual obligations with Indian project developers.

"We will soon issue an advisory to people not to buy from them," Anand Kumar, secretary of India's Ministry of New and Renewable Energy (MNRE), told *The Economic Times* this week. The ministry also plans to prepare a list of approved suppliers to shield Indian companies from the risk of dealing with unreliable companies, he said.

Figure 13 – Solar Power World comment section – Nov 14, 2021 ¹³

The Clean Energy Council has announced all China Sunergy (Nanjing) Co Ltd (CSUN) solar panels are no longer approved for installation under Australia's Small-scale Renewable Energy Scheme (SRES).

In order to be eligible for Australia's "solar rebate", panels must be approved by the Clean Energy Council (CEC) and present on its approved modules list at the time of installation.

Figure 14 – Solar Quotes Blog – CEC De-Lists China Sunergy CSUN Solar Panels ¹⁴

¹² https://www.pacermonitor.com/public/case/38567972/Sunergy_California_LLC_v_Depcom_Power_Inc

¹³ <https://www.pv-magazine.com/2019/03/29/chinese-pv-module-supplier-faces-ban-for-breach-of-contract/>

¹⁴ <https://www.solarquotes.com.au/blog/csun-solar-panel-delisting-mb1163/>



Abalance VSUN Phoenix

The list of links between VSUN and CSUN is long and shows how closely entwined the two businesses are.

Corporate Links

A 2015 SEC 20-F form by CSUN shows it considered VSUN a related party.

Name of related party	At December 31,	
	2014 \$	2015 \$
Jiangxi Jingde Semiconductor New Material Co., Ltd.	111,013	-
China Electric Equipment Group Co., Ltd.	522,763	407,627
CEEG (Nanjing) Intelligent Technology Co., Ltd.	172,852	162,881
CEEG (Jiangsu) Insulated New Material Co., Ltd.	1,442,674	57,330
CEEG (Nanjing) Semiconductor Co., Ltd.	140,865	132,739
CEEG (Nanjing) Solar Research Institute	1,923,774	2,621,211
CEEG (HK) Limited Co., Ltd.	47,029	47,029
Jiangsu XindeMinyong Photovoltaic System Co., Ltd.	63,736	-
CEEG KOREA CO.,LTD.	-	26,536
VIETNAM SUNERGY COMPANY	-	110,580
CEEG Xinde Shanghai New Energy Co Ltd	-	4,084
CEEG (Nanjing) Transmission and Distribution Equipment Co., Ltd	-	1,325,182
CEEG (Nanjing) Solar Technology Co Ltd	-	7,535
CEEG (Nanjing) Electricity Technology Co Ltd	-	455,333
CEEG (Jiangsu) Electricity Design Co Ltd	-	4,187
CEEG Holding Co.,Ltd	-	42,735
	4,424,706	5,404,989

Figure 15 – China Sunergy form 20-F¹⁵

In the case DEPCOM v. (China) Sunergy, plaintiff DEPCOM and two other customers paid deposits to CSUN through VSUN in 2017.

25	In the fall of 2017, DEPCOM, an unwitting victim of this scheme, paid four deposits to
26	CSUN Solar totaling \$4,170,415.50. When bundled with the deposits of two other U.S. customers
27	(Cypress Creek and Sunrise Energy, collectively, with DEPCOM, the “U.S. Customers”) totaling
28	\$1,944,242.76, CSUN Solar transferred \$5,378,147 of the approximately \$6.1 million in U.S.
	DEPCOM’S REPLY IN SUPPORT OF AMENDED CCP § 187 MOTION 1
Case 4:18-cv-00729-JST Document 184 Filed 12/02/19 Page 5 of 19	
1	Customers’ deposits to CEEG Nanjing, CSUN Trading, and Vietnam Sunergy. The ownership of
2	these companies flows up to Mr. Lu. See Amended Motion, Exhibit C (corporate ownership chart).
3	The relatively small remainder went towards third party expenses related to the production of the
4	solar modules to which the deposits related.

Figure 16 – DEPCOM POWER, INC vs CSUN SOLAR INC et. al. ¹⁶.

VSUN signed a declaration of conformity for CSUN and VSUN products jointly in January 2019. The products also have nearly identical model numbers and are mechanically identical. This is similar to CSUN’s use of the phony brand ASUN which it used to shed its poor reputation, detailed in the section prior.

¹⁵ <https://www.sec.gov/Archives/edgar/data/1396247/000114420417002554/R22.htm>

¹⁶ https://www.pacermonitor.com/public/case/38567972/Sunergy_California_LLC_v_Depcom_Power_Inc



EC DECLARATION OF CONFORMITY

We, VIETNAM SUNERGY JOINT STOCK COMPANY, declare the following PV products

Product name: Photovoltaic Module

Brand name: CSUN & VSUN

Model No.: CSUNXXX-60M (XXX=290-315), CSUNXXX-60M-BB(XXX=290-315)
 CSUNXXX-60P(XXX=270-310), VSUNXXX-60M (XXX=290-315)
 VSUNXXX-60M-BB(XXX=290-315), VSUNXXX-60P(XXX=270-310)

Figure 17 – Vietnam Sunergy EC Declaration of Conformity

India’s Centre for Energy Finance credits VSUN as the manufacturer of both CSUN and VSUN solar panels in June 2019¹⁷.

Sl No	Name of brand	Manufacturing Organisation	Registration date (valid for 2 years)
1	Boviet	Boviet Solar Technology Co., Ltd	07-03-2019
2	CSUN	Vietnam Sunergy Joint Stock Company	28-02-2019
3	ET Solar	Viet Nam Green Energy Technology Company Limited	27-02-2019
4	EVVO	Viet Nam Green Energy Technology Company Limited	29-04-2019
5	GCL	Vina Solar Technology Co., Ltd.,	31-08-2018
6	HT Solar Vietnam	Ht Solar Vietnam Limited Company	21-02-2019
7	Phonosolar	Vina Solar Technology Co., Ltd.,	21-02-2019
8	Trina Solar	Vina Solar Technology Co., Ltd.,	17-01-2019
9	VSUN Innovative & Smart	Vietnam Sunergy Joint Stock Company	10-06-2019

Figure 18 – BIS Approved Manufacturers for Solar Modules (Crystalline & Thin Films)

¹⁷ https://www.ceew.in/cef/shared/BIS_approved_modules_Vietnam.pdf



Personnel Links

There is a large overlap between the upper management of VSUN and CSUN.

- VSUN’s Executive VP Liu Zhengxun (刘正训) is listed on several CSUN patents^{18,19}.
- VSUN’s President Lewis Cai aka Cai Jianfeng (蔡建峰) is listed as a general manager or director of CLP Shanghai²⁰, the general manager of China Power Electric (Shanghai) Solar Technology²¹ and the director of VSUN Power (HK) Company Limited²².
- Several of VSUN’s overseas sales managers worked simultaneously for VSUN and CSUN²³.

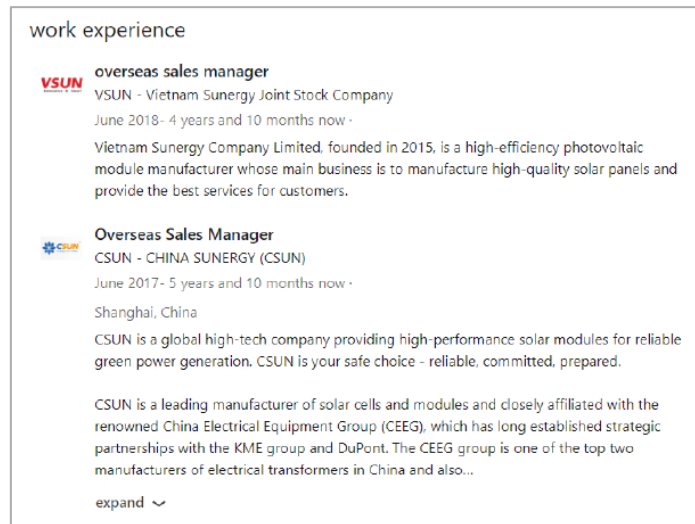


Figure 19 – VSUN employee LinkedIn.com profile

- Senior open positions on VSUN’s website such as Key Account Manager (Europe), Country Manager (APAC/MENA) and Senior Marketing Manager all list the address of the position as Shanghai China.

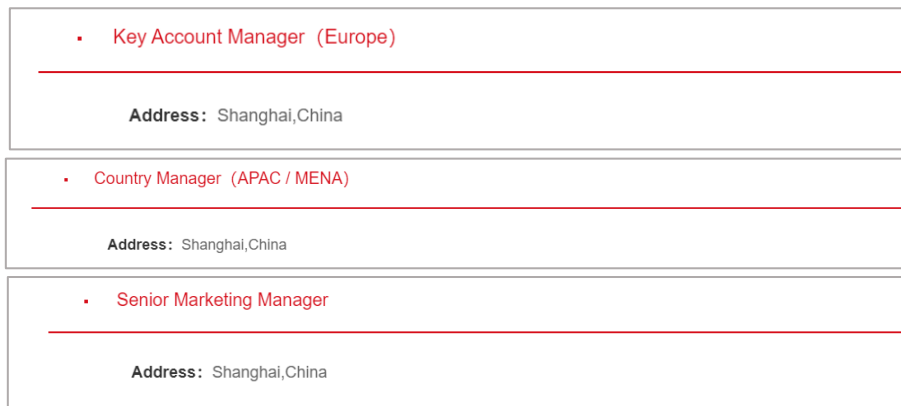


Figure 20 – Vsun-solar.com career page dated May 5, 2023²⁴

- An archived VSUN job listing from July 2020 lists a Financial Controller position in Shanghai, China with responsibilities including preparation of financial statements, payroll tax, superannuation, and asset registration. Vietnamese or Japanese language fluency is not listed as a requirement²⁵.

¹⁸ <https://www.linkedin.com/in/%E6%AD%A3%E8%AE%AD-%E5%88%98-091540168/?originalSubdomain=vn>

¹⁹ CN103357596A, CN202129806U, CN204349885U

²⁰ <https://www.apvia.org/articleTest.aspx?articlePK=f66a6122-847e-4a05-9526-4abaccb7289&title=%E6%9C%80%E6%96%B0%E5%85%AC%E5%91%8A>

²¹ Sometimes referred to as SST https://www.sohu.com/a/149619249_814575

²² <https://www.hkcorporationsearch.com/companies/2635423/>

²³ Eva Liang, Leo Yang, Ning Zhang, Anjelica Wu

²⁴ <https://www.vsun-solar.com/Recruitment/list.aspx>

²⁵ <https://web.archive.org/web/20200728194143/http://vsun-solar.com/Recruitment/list.aspx>



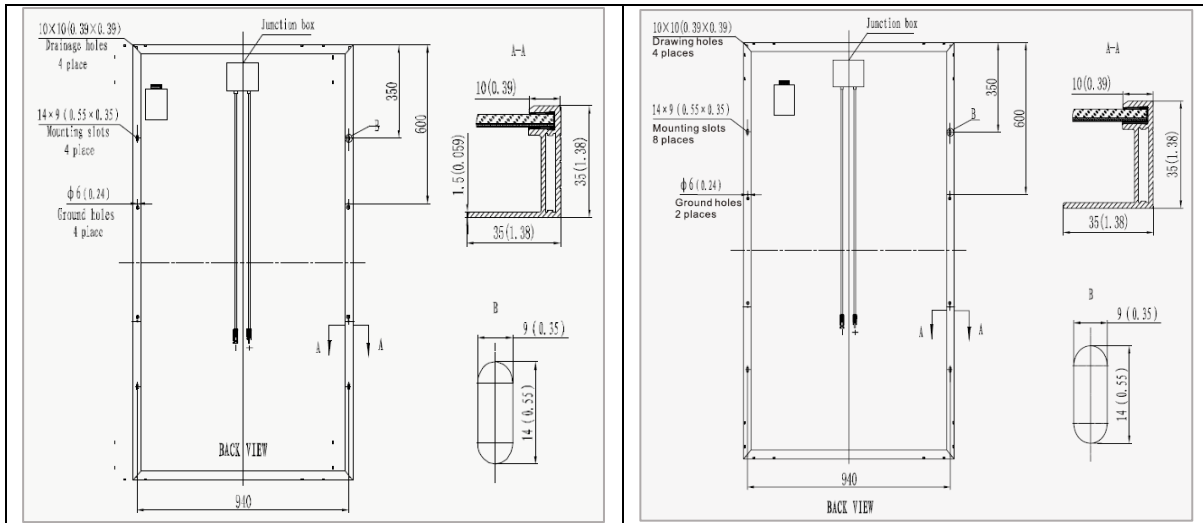
Product Links

The most obvious overlap between CSUN and VSUN are their product lines which are effectively identical.

- CSUN and VSUN share identical model number formatting, for example the VSUN 260-60P model refers to a 60-cell polycrystalline panel with a maximum power output of 260W. The corresponding CSUN model is CSUN 260-60P.
- Similar CSUN and VSUN models have exactly the same mechanical dimensions, packaging dimensions and weight and temperature characteristics. This shows that both VSUN and CSUN are assembled with the same components, including solar cells.

Temperature Characteristics		Temperature Characteristics	
NOTC	45°C (±2°C)	NOTC	45°C (±2°C)
Temperature Coefficient	-0.292%/K	Voltage Temperature Coefficient	-0.292%/K
Coefficient	+0.045%/K	Current Temperature Coefficient	+0.045%/K
Power Temperature Coefficient	-0.408%/K	Power Temperature Coefficient	-0.408%/K

Figures 21 & 22 – VSUN 280-60P and CSUN 280-60P Mechanical Drawings, respectively



Figures 23 & 24 – CSUN 280-60P and VSUN 280-60P Mechanical Drawings, respectively²⁶

- Similar CSUN and VSUN models have similar but not exactly the same electrical characteristics and IV curves indicating that testing was done separately for the two.
- Both CSUN and VSUN warranties are provided by PowerGuard and use the exact same chart to show the value of the warranty.

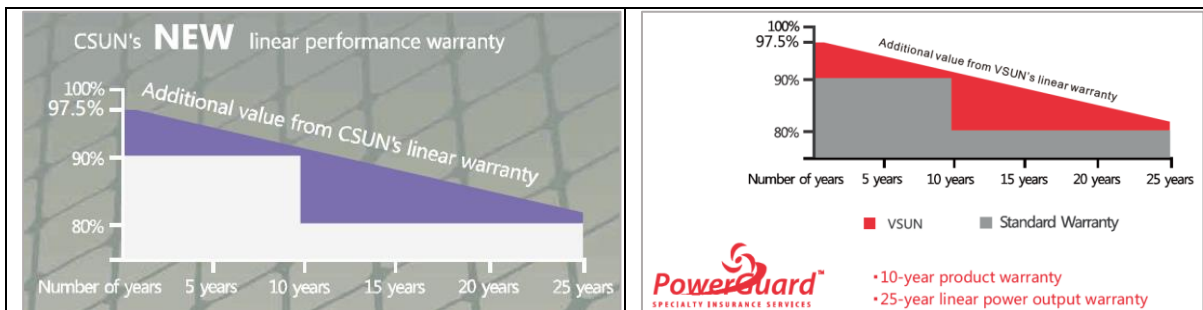


Figure 25 - CSUN 280-60P and VSUN 280-60P linear warranty graphs, respectively

²⁶ CSUN 280-60P and VSUN 280-60P Brochure



- A warranty document on vendor sunwatts.com’s website shows both VSUN and CSUN products covered by the same warranty. The document is undated, but the pdf file was created in February 2020 and references a VSUN release (since deleted) dated November 11, 2019.

VSUN
Innovative & Smart

Limited Warranty for PV Modules
Q/VSUN.J31.0003 V8.3

Limited Warranty for PV Modules

Subject to the conditions, exclusions and limitations set forth below, VIETNAM SUNERGY JOINT STOCK COMPANY (“VSUN”) hereby grants the following Limited Warranty for PV Modules (collectively, the “Limited Warranty”) to the original end user purchaser installing (for its own use) (the “Customer”) any of the specified (and no other) brand models of solar photovoltaic modules listed below (the “Product(s)“):

1. Warranted Products

- VSUN/CSUN XXX-72M/P/MH/PH(XXX=320,325,330,335,340,345,350,355,360,365,370,375,380...)
- VSUN/CSUN XXX-60M/P/MH/PH-DG(XXX=265,270,275,280,285,290,295,300,305,310,315,320...)

Figure 26 – VSUN Limited Warranty for PV Modules²⁷

We note that R&D spend in-country is a key factor in the DoC’s determination of circumvention and it appears as though no significant R&D spend has been done in Vietnam or Japan in the design of VSUN’s products.

These “similarities” can be found across VSUN’s catalogue and further reinforces our belief that VSUN is simply a pass-through for CSUN products into the US and Europe.

²⁷ <https://web.archive.org/web/20230505142717/https://sunwatts.com/content/warranty/VSUN-Warranty-PV-Modules-EN-1.pdf>



Sharing PR


VSUN commercial projects appear inextricably linked to, and coordinated with, CSUN. For instance: VSUN claims to have supplied a commercial solar farm project in Texas, which was developed by Engie²⁸.

LONG DRAW SOLAR

BNB developed the 225MWac Long Draw Solar project on 1,600 acres of range land three miles east of BNB's Mesquite Creek Wind farm and directly adjacent to the Long Draw Substation, an ERCOT node. BNB sold the development to Engie in 2018; construction started in 2019, and the utility-scale power plant was commissioned in December 2020. The electricity generated by the plant is sold under long-term PPAs to the City of Denton, New Braunfels Utilities, Garland Power and Light, and Kerrville Public Utility Board.

Project Overview:

- Location: Borden County, Texas
- Size: 225MWac
- Status: Operational (2020)





Figures 27 & 28 – Long Draw solar farm project site images^{29, 30}

At the same time, Engie's CPO was photographed visiting CSUN subsidiaries/affiliates CEEG in Nanjing.

The CPO of Engie Group visited CEEG and sought for cooperation

2020-06-30 12:00:00 Industry news

On January 9, 2019, Mr. Lu Tingxiu, chairman of the CEEG Group, met with the team led by the the CPO of Engie Group at CEEG industrial park in Nanjing City and expressed the warmly welcome.

The CPO of Engie Group briefly introduced the structural adjustment of the headquarters in Courbevoie and their global project arrangement in 2019.

Focused on the existing solar technology, development prospects and CSUN's new manufacturing plant in CA, USA, both parties exchanged ideas and emphasized that, as long-term partners in solar industry, Engie Group and CEEG would enhance the cooperation and have higher level performance for solar sector together.

Figure 29 – Extract from CEEG press release³¹

We reiterate that CSUN and CEEG provide raw materials for VSUN. It is unfathomable that industry member executives are actively visiting effectively sanctioned cell-manufacturing facilities who are intentionally circumventing AD/CVD in order to supply them.

²⁸ <https://www.engie-na.com/solar/long-draw-solar-project/>

²⁹ <http://www.bnbrenewables.com/long-draw-solar>

³⁰ <https://www.vsun-solar.com/Project/info.aspx?itemid=692>

³¹ <https://www.csunsolartech.com/news/2>



VSUN – Strange bedfellows

Question: Why is so much of Abalance’s net income not attributable to shareholders?

Answer: Despite fully consolidating VSUN and stating it owns ~85% of VSUN, Abalance is only entitled to 43% of VSUN’s earnings (but apparently all the costs) due an opaque corporate structure.

The reality is that Abalance’s acquisition and holding of VSUN means most profits generated there are not attributable to shareholders, but instead to unnamed counterparties. Abalance falsely states that it owns 85% of VSUN: it does not.

The VSUN transaction

VSUN’s shareholder list throws up some red flags:

- On June 20, 2018, Fuji Solar acquired 100% of Vietnam Sunergy from CHR (Shanghai) Renewable Energy Company Limited. Fuji Solar was established in February 2018. We were unable to locate any company called CHR (Shanghai) Renewable Energy Company and its only mention is in VSUN’s incorporation documents.

20 Jun 2018	Former Shareholder: CHR (Shanghai) Renewable Energy Company Limited: 100% Changed to: Fuji Solar Co., Ltd: 100%
-------------	--

Figure 30 – VSUN ownership filings

- In April 2019 Abalance announced that its affiliate Fuji Solar had acquired all shares in Vietnam Sunergy from a counterparty that requested not to be named³². It is unclear why this announcement was made almost a year after the record date on Vietnamese filings.

6. 持分取得の相手先の概要		
1	(1) 氏名	持分取得の相手先の希望により非公表とさせていただきます。
	(2) 住所	持分取得の相手先の希望により非公表とさせていただきます。
	(3) 当社と当該法人との間の関係	当社と当該法人の間には、記載すべき資本関係・人的関係・取引関係はありません。

6. Overview of the counterparty		
1	(1) Name	At the request of the counterparty this information will not be made public
	(2) Address	At the request of the counterparty this information will not be made public
	(3) Relationship between the company and the counterparty	At the request of the counterparty this information will not be made public

Figure 31 – Notice Regarding Acquisition of 100% Equity of Vietnam Company by Group Affiliate & translation

- However, on December 27, 2019, the VSUN shareholdings changed again as follows:
 - Vietnam Natural Energy, LLC: 4.997%
 - Vietnam High Technology LLC: 4.997%
 - Rice Investment Joint Stock Company: 3.008%

³² <http://ke.kabupro.jp/tsp/20180419/140120180419415096.pdf>



27 Dec 2019	<p>Former Shareholders:</p> <p>Fuji Solar Co., Ltd: 99.9%</p> <p>Mr. Nguyen Dinh Tu: 0.05%</p> <p>Mr. Nguyen Minh Hien: 0.05%</p> <p>Changed to:</p> <p>Fuji Solar Co., Ltd: 84.846%</p> <p>Vietnam Natural Energy Llc: 4.997%</p> <p>Vietnam High Technolog Y Llc: 4.997%</p> <p>Rice Investment Joint Stock Company: 3.008%</p> <p>Mr. How Kok Choong: 1.901%</p>
	<p>Mr. Fong Teck Kheong: 0.1%</p> <p>Other Shareholders: 0.151%</p>

Figure 32 – VSUN ownership filings

We suspect that Vietnam Natural Energy LLC, Vietnam High Technology and Rice Investment Co are owned or operated by one of Abalance’s financial advisors: Hiroyuki Tahara.

Vietnam Natural Energy LLC, Vietnam High Technology LLC and Rice Investment Co.

Vietnam High Technology LLC 株式会社ベトナム先端技術 (formerly Vietnam Advanced Technology LLC 合同会社ベトナム先端技術) was incorporated at an office building in Shibuya but later moved twice to residential addresses³³. Vietnam Natural Energy LLC (株式会社ベトナム自然エネルギー) and Rice Investment Co. (株式会社Rice Investment) have the exact same historical addresses and moved on the same dates^{34,35}.

The other company that follows this pattern but does not appear on VSUN’s shareholder list is Core Competence Corporation (株式会社コア・コンピタンス・コーポレーション)³⁶, whose president and representative director is Hiroyuki Tahara (田原弘之).

Core Competence acts as a financial advisor to Abalance but seems to largely function as an introducer of investors to the company.

Abalance investors should ask why three companies with the same address as Abalance’s financial advisor have a combined 13% stake in its most important subsidiary.

The Fuji Solar transaction

At the time of Fuji Solar’s acquisition of VSUN, Abalance was only a minority shareholder. Abalance held 34% of Fuji Solar through its 100% subsidiary WWB.

The remaining shares in Fuji Solar were held by 2 strange entities: 55% held by VSUN Power Company Limited and 11% by NA Global (株式会社エヌエーグローバル).

- We were unable to locate any company by the name of VSUN Power Company Limited, which Abalance classifies as a foreign company. We believe this to be the same as VSUN Power (Hong Kong Limited) Company Limited of which Lewis Cai is a director.
- NA Global is a presumably shuttered secondhand construction equipment company with its website closed and facebook page last active in 2013, 6 years before this transaction³⁷.

³³ <https://houjin.i-bdb.com/80110030098463262>

³⁴ <https://houjin.i-bdb.com/90110030098454306>

³⁵ <https://houjin.i-bdb.com/60100011820549788>

³⁶ <https://houjin.i-bdb.com/90100010830925530>

³⁷ https://www.facebook.com/naglobal/?locale=ja_JP



In October 2020 Abalance acquired another 31.5% of Fuji Solar for US\$4.2m (JPY450m) with a footnote stating that it would sell a 14.5% stake later in December to an unnamed counterparty for US\$1.9m (JPY210)³⁸. Note that the company specifies US dollars as the currency of the transaction.

(注) 株式譲渡実行日 (2020年11月16日) においては、上記の通り 65.50%の議決権割合となりますが、2020年12月末日までに内 1,450 株分を US\$1,939 千 (日本円換算 200 百万円相当) にて売却することにより、2020年12月末日時点の所有株式数は 5,100 株 (議決権割合 51.00%、実質取得価額 US\$4,214 千—US\$1,939 千=US\$2,275 千 (日本円換算 240 百万円相当)) となります。

Translation: (Note) On the share transfer execution date (November 16, 2020), the voting rights ratio will be 65.50% as described above, but by the end of December 2020, 1,450 shares will be sold for US\$1,939,000. (equivalent to 200 million yen), the number of shares held as of December 31, 2020 will be 5,100 shares (voting rights ratio 51.00%, actual acquisition price US\$4,214,000—US\$1,939,000 = US\$2,275,000 (equivalent to 240 million yen in real yen)).

Figure 33 – Notice Regarding Change in Specified Subsidiary Company (VSUN) & translation

Abalance's Q2 2021 filings show a 51% interest in Fuji Solar and a purchase price for the net 17% stake for JPY237m with no mention of the subsequent share sale.

However, in its Q4 2021 filings the company states a 75% interest in Fuji Solar and its purchases for the year at JPY679m.

(1) 当社子会社WWB株式会社が同社の持分法適用関連会社であるFUJI SOLAR株式会社の株式の追加取得し、同時に Vietnam Sunergy Joint Stock Companyの株式を間接的に取得する事で、FUJI SOLAR株式会社については連結子会社化、VSUNについては特定子会社化したことに伴う、連結開始時の資産及び負債の内訳並びに同社の取得価額と取得のための支出 (純額) との関係は、次のとおりであります。

流動資産	8,316百万円
固定資産	1,444
流動負債	△7,614
固定負債	△48
連結範囲の変更に伴う剰余金増加額	△1,102
非支配株主持分	△317
株式の取得価額	679百万円
現金及び現金同等物	△2,731
差引：取得のための支出	△2,052

Figure 34 – Abalance 2021 Annual Report

This implies that after raising its ownership from 34% to 65.5% for JPY450m (\$4.4m) before selling 14.5% for US\$1.9m (JPY203m), Abalance then acquired another 24% for JPY442m (US\$4.0m). There is no mention of why this later purchase commanded a premium on the purchase carried out 6 months earlier.

Its Q4 2022 filing shows that its ownership of Fuji Solar has returned to 51%, again without any explanation.

Why was Fuji Solar owned by a defunct secondhand construction equipment company?

What are the details of VSUN Power Company Limited?

Who did WWB sell a 14.5% stake in Fuji Solar to, and are they the same entity who later sold 24% of Fuji Solar back to WWB?

Why has Abalance's ownership percentage of Fuji Solar fallen to 51%?

³⁸ <http://ke.kabupro.jp/tsp/20201005/140120201005499769.pdf>



3. VSUN – On the ground

Existing capacity

Industry reporting states that VSUN’s existing factories in Bắc Giang province “have no capacity for cell manufacturing”³⁹. One of the **key aspects of the DoC determinations of circumvention is the manufacturing of the cells.**

The manufacturer, which operates another factory in the Bắc Giang province, has, currently, a module production capacity of around 2.6 GW and **no capacity for cell manufacturing.**

Vsun is a unit of Japan-based electrical equipment company Fuji Solar Co Ltd.

Figure 35 – Solar Quotes Blog – CEC De-Lists China Sunergy CSUN Solar Panels⁴⁰

There are two YouTube videos that offer an in-depth walkthrough of the main VSUN facility at Lot III – Dong Vang, Dinh Tram Industrial Park.

On March 11, 2020, YouTube channel Solar Miền Bắc uploaded a walkthrough of the VSUN factory⁴¹.

- The video shows that the facility simply handles manufacturing steps after solar cell production. This means soldering the cells into the desired configuration, laminating the panel, and attaching the aluminum shell and junction box. The factory also handles testing and quality control.
- The factory staff confirm in the video that the solar cells are imported, the panels assembled, and the final product exported. This activity does NOT make the product exempt from AD/CVD restrictions.
- The factory staff also confirm that these panels are all for export, and that local distribution is handled under the Northern Solar brand.
- The factory also manufactures products for Bauer and S-Energy.



Figure 36 – VSUN facility video

³⁹ <https://www.pv-magazine.com/2021/01/04/vsun-to-build-4-gw-panel-factory-in-vietnam/>

⁴⁰ <https://www.solarquotes.com.au/blog/csun-solar-panel-delisting-mb1163/>

⁴¹ <https://www.youtube.com/watch?v=RQNw-flfs3Y&t=197s>



On January 25, 2022, a YouTube channel presumably run by a VSUN employee showed a tour of the facility with the same configuration as the March 2020 video. There is still no evidence of solar cell manufacturing and the floorplan remains the same.

VSUN also has several smaller facilities: a corporate office and possible warehouse at the Thuận Thành, industrial park in Bắc Ninh. Neither appears to be capable of solar cell manufacturing. Sources on the ground engaged by Viceroy note that none of the facilities appear to have heat/fume extraction points, and thus are unlikely to support any significant manufacturing.

Scramble for cell manufacturing

VSUN appears to be scrambling to set up its own cell manufacturing operations in Vietnam to avoid impending US regulations. We doubt that these efforts will be successful.

On December 28, 2020, VSUN announced an investment in the Hoà Phú Industrial Park. It was supposed to be finished by EOY 2022, but the \$300m investment has not been mentioned since early 2021. A search of the Bac Giang Industrial Zones Authority website shows no permits for VSUN in the Hoà Phú Industrial Park⁴².

Abalance has committed \$300m to a 6 GW facility in Phú Thọ province's Cam Khe Industrial Park. "Phase 1" is set to be completed by October 2023. VSUN's social media accounts show a ceremonial groundbreaking on December 27, 2022.

- Sources on the ground informed Viceroy that they had not yet received a construction permit as of April 28, 2023. A search for construction permits online returned no approved plans. Upon a site visit to the construction facility, a construction permit was not displayed on the site as required by law.
- A site visit shows that the facility has yet to erect walls, and there appears to be no heavy machinery on site. The extent of construction at the site is piling and minor structural work. **Photos of the site can be found annexed to this report.**
- Phase 1 is set to have an annual N-type TOPCon production capacity of 3GW compared to VSUN's existing panel production capacity of 5GW⁴³. There will be a significant cell shortfall which will directly impact revenues.

⁴² Find link

⁴³ Abalance Q2 2023 report page 4



Forced Labor Suppliers

Neither Abalance nor VSUN report on their supply chain in any meaningful way but tradesparq data shows that VSUN imports the vast majority of its solar components from China. When searching Chinese imports to VSUN and filtering for solar cells, panels, and modules, VSUN's top 10 suppliers are:

Row Labels	2019	2020	2021	2022	Grand Total
VSUN CHINA CO.,LTD	24%	21%	24%	32%	24%
85414021	15%	9%	24%	32%	18%
85414022	0%	11%	0%	0%	4%
85419000	10%	0%	0%	0%	2%
TONGWEI SOLAR CO., LTD	0%	1%	6%	20%	5%
85414021	0%	1%	6%	20%	5%
JIANGSU RUNERGY PV TECHNOLOGY CO.,LTD	1%	0%	33%	19%	13%
85414021	1%	0%	33%	19%	13%
ZHEJIANG AIKO SOLAR ENERGY TECHNOLOGY CO. LTD	1%	1%	6%	18%	5%
85414021	1%	1%	6%	18%	5%
85419000	0%	0%	0%	0%	0%
ANHUI YINGFA RUINENG TECHNOLOGY CO., LTD	2%	1%	4%	10%	4%
85414021	2%	1%	4%	10%	3%
85419000	0%	0%	0%	0%	0%
CHANGZHOU ZHISHENG PHOTOELECTRICITY TECHNOLOGY CO.,LTD	1%	1%	4%	1%	2%
85414021	0%	1%	4%	1%	2%
85419000	1%	0%	0%	0%	0%
GUANGDONG AIKO SOLAR ENERGY TECHNOLOGY CO.,LTD	0%	1%	1%	0%	1%
85414021	0%	1%	1%	0%	1%
85419000	0%	0%	0%	0%	0%
SEAGO INTERNATIONAL TRADING LIMITED	1%	0%	0%	0%	0%
85419000	1%	0%	0%	0%	0%
CHANGZHOU DOMI OPTOELECTRONIC TECHNOLOGY CO.,LTD	0%	1%	0%	0%	1%
85414021	0%	1%	0%	0%	1%
THE COLUMBUS TECHNOLOGY PTE. LTD	0%	0%	7%	0%	2%

Figure 37 – TradeSparq data for VSUN imports filtered for solar cells, panels and modules

Several of these entities have supply chains exposed to Uyghur forced labor and relocation practices. Beyond the moral implications, US authorities have effectively banned imports from companies linked to these practices in the past⁴⁴.

VSUN China 帷商（上海）新能源技术有限公司

32% of VSUN's 2022 imports come from VSUN China but it's clear from filings that this is a purchasing entity.

- The company is located at Room 909, 665 North Songwei Road, Shanghai, an office building.
- Social security information states that the company provides various types of insurance to 83 people.
- Jiangsu Runergy's 2022 Annual Report shows RMB38m in prepayments from VSUN China as of June 2022.

(3) 各报告期末按预付对象归集的期末余额前五名的预付款项情况		
单位名称	2022年6月30日余额	占预付款项期末余额合计数的比例(%)
隆基绿能科技股份有限公司*1	366,385,915.98	40.92
弘元新材料（包头）有限公司	158,223,780.14	17.67
广东高景太阳能科技有限公司	87,077,940.62	9.72
江苏晶品新能源科技有限公司	60,003,307.97	6.70
帷商（上海）新能源技术有限公司	38,483,704.51	4.30
合计	710,174,649.22	79.31

Figure 38 – Jiangsu Runergy Annual Report 2023

We suspect that Abalance is in breach of its requirement to disclose significant suppliers and is using this opaque structure to facilitate poor disclosure.

⁴⁴ <https://www.cbp.gov/trade/programs-administration/forced-labor/hoshine-silicon-industry-co-ltd-withhold-release-order-frequently-asked-questions>



Jiangsu Runergy 江苏润阳新能源科技

Jiangsu Runergy is a solar cell supplier and what we believe is VSUN's largest solar cell supplier. It is itself supplied by LONGi who are mentioned in the Sheffield Hallam report on Uyghur forced labor practices in the solar industry. The report notes that LONGi's activities in the Uyghur region are limited to power generation and are do not include labor transfers.

However, LONGi is a customer of GCL Poly, Xinte, Daqo and Asia Silicon, all companies that were identified as having engaged in "labor transfers" and "poverty alleviation" in Xinjiang. These terms are synonymous with forced labor and relocation.

Tongwei Solar 通威太阳能

Tongwei Solar is listed by the Sheffield Hallam report as a customer of the sanctioned Xinjiang Hoshine, stating that "it appears that Tongwei's raw materials are typically sourced from companies proximate to their polysilicon facilities".

Zhejiang Aiko Solar Energy Technology 浙江爱旭太阳能科技有限公司⁴⁵

Aiko Solar acquires its wafers from Shangji Automation who in turn have supply agreements with GCL Poly, Xinte, Daqo and Asia Silicon who were all identified as having engaged in "labour transfers" and "poverty alleviation" in Xinjiang.

⁴⁵ <http://www.aikosolar.com/>

4. Financials

Abalance's financials are fairly simple as what is mostly a straightforward pass-through manufacturer. The company's reliance on its US based solar panel business is apparent from filings:

Abalance Sales Analysis	2019		2020		2021		2022	
Sales to external customers								
Solar panel business	-	0%	-	0%	21,013	78%	81,501	88%
Green energy	5,178	87%	6,249	95%	5,311	20%	10,234	11%
IT	172	3%	58	1%	50	0%	292	0%
Photocatalyst	-	0%	-	0%	170	1%	80	0%
Other	596	10%	257	4%	355	1%	326	0%
Total	5,946		6,564		26,899		92,433	
Sales by region								
Japan		>90%		>90%	5,533	21%	11,105	12%
Asia					16,781	62%	1,526	2%
North America					2,643	10%	68,185	74%
Europe					1,943	7%	3,719	4%
South America						0%	7,772	8%
Others					-	0%	126	0%
Total					26,900		92,433	

Figure 39 – Abalance sales regional breakdown

This leap in revenues has failed to translate into cash flows and Abalance is reliant on borrowings to remain solvent. We note that in their recent guidance upgrade Abalance did not disclose top-line revenue, only net sales which again obscures this.

VSUN Cash Flows	2019	2020	2021	2022
Cash from ops	(146)	(865)	(608)	(6,349)
Purchase of PPE	(1,473)	(117)	(2,732)	(6,137)
FCF	(1,619)	(982)	(3,340)	(12,486)

Figure 40 – Abalance free cash flow calculation

More evidence of Abalance's role as a pass-through is evident in falling margins as the solar panel business makes up a greater proportion of revenues. The solar panel segment has historically produced low-single digit returns which we believe shows a lack of value-add in the business.

We note that Abalance's Q/Q revenues have plateaued in 2023, and Q3 2023 results are down against the same quarter last year.

Margin Analysis	Q4 2022	Q4 2022	2022	Q1 2023	Q2 2023	Q3 2023
Solar Panel						
External sales	49,369	32,132	81,501	53,250	54,054	48,641
Internal sales	205	69	274	-	136	96
Total	49,574	32,201	81,775	53,250	54,190	48,737
Segment profit	429	809	1,238	1,175	3,437	4,315
Margin	1%	3%	2%	2%	6%	9%

Figure 41 – Abalance Solar Panel segment financials

Despite fully consolidating VSUN and stating it owns ~85% of VSUN, Abalance is only entitled to 43% of VSUN's earnings (but apparently all the costs). Fuji Solar, not Abalance, holds ~85% of VSUN, and Abalance only owns 51% of Fuji Solar. In practical terms this means that shareholders have effectively been robbed of returns on their investment if the unnamed Fuji Solar shareholders are not funding operating costs and capital outlays.



Key Takeaways

Abalance's main earner VSUN appears to be a forwarding operation aimed at circumventing US AD/CVD duties. Runway is rapidly running out as the DoC awaits the expiration of President Biden's emergency order in June 2024.

Current consolidated fiscal year (from July 1, 2021 to June 30, 2022) 1.

Information by product and service

(Unit: million yen)

	Solar panel business	Green energy business	energy manufacturing business	IT Business	Photocatalyst Business	Others	total
Sales to external customers	81,501		10,234	292	80	326	92,435

2. Information by region

(1) Sales

(Unit: million yen)

Japan	Asia	South America	Europe	South America	others	total
11,105	1,526	68,185	3,719	7,772	126	92,435

(Note) Net sales are classified by country or region based on the customer's location.

Figure 42 – Annual Report 2022 pg 89

Abalance's supply chain is connected to companies linked to forced labor practices and relocations in Xinjiang. Beyond the moral implications, US authorities have effectively banned imports from companies linked to these practices in the past.

Abalance is only entitled to 43% of VSUN's earnings. Abalance has failed to properly disclose to the other shareholders of its most valuable asset or provide any justification for the arrangement.



Annexure 1 – CSUN Corporate Ownership Map

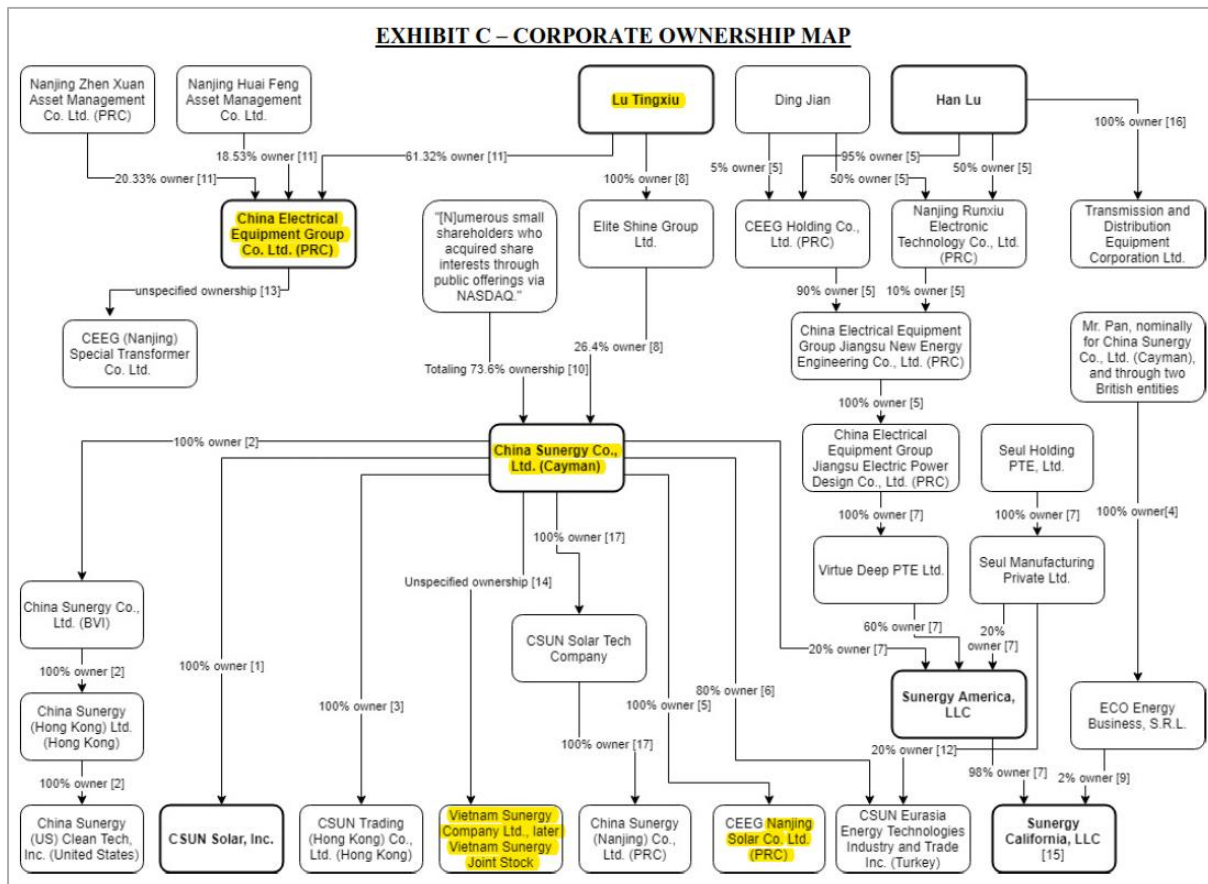


Figure 43 – CSUN Corporate Ownership Map

Source: DEPCOM POWER, INC vs CSUN SOLAR INC et. al.

Case 4:18-cv-00729-JST Document 133-3 Filed 10/28/19



Annexure 2 – Site Visit: New Vietnamese Solar Cell Plant

