December 17, 2007

Déjà vu for LDK in Latest Press Release.

Christmas came early for LDK Solar Co., Ltd. this year. On December 17, 2007, the company’s independent audit committee, comprised of two “independent” directors from LDK’s board, announced that the company’s independent review was complete after finding “no material errors in the Company’s stated silicon inventory qualities as of August 31, 2007.”

The December 17 press release closely echoes LDK’s statement on October 4, 2007, after an employee’s internal report documenting existing investor concerns over inconsistencies in the company’s inventory and cost/expense reporting became public. In the October 4 release, LDK claimed that an internal review of the inventories revealed “no material discrepancies as compared to LDK’s financial statements.” To verify the results of its internal investigation, LDK formed an independent audit committee. The committee then retained Simpson Thatcher & Bartlett LLP to serve as the independent legal counsel for the committee. Simpson Thatcher hired Deloitte Touche Tohmatsu to serve as the auditors for the investigation.

It remains difficult to identify a difference between LDK’s hasty internal review and the work of the independent audit committee. LDK executives led both investigations. In early December, LDK CFO Jack Lai publicized details from the auditors’ review, including the schedule of the investigation and the status of the field research. In addition to financing the investigation, LDK executives communicated with the independent advisors throughout the investigation.

The independence of the audit committee and its advisors remains doubtful. It should also be noted that LDK’s December 17 press statement does not mention the status of the SEC’s ongoing investigation of the company’s reporting practices. LDK is not financing the SEC’s investigation and is unable to influence its results or timing and cannot comment on the investigation’s status. Investors should remain wary of the promotional activities of a highly questionable, recently formed solar company engaged in irregular transactions with its suppliers and wait for the findings of the SEC.