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CHINA SOLAR ENERGY HOLDINGS LIMITED

中國源暢光電能源控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 155)

**ANNUAL RESULT ANNOUNCEMENT
FOR THE YEAR ENDED 31 MARCH 2012**

(Expressed in Hong Kong dollars)

FINANCIAL RESULTS

The board of directors (the “Board”) of China Solar Energy Holdings Limited (the “Company”) hereby announces the audited results of the Company and its subsidiaries (the “Group”) for the year ended 31 March 2012 together with the audited comparative figures for the corresponding period in 2011 as follows:

* For identification purposes only

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2012

	<i>Notes</i>	2012 HK\$'000	2011 HK\$'000
Continuing operations			
Revenue	4	315,686	174,418
Costs of long-term service contracts of photovoltaic business		(308,385)	(169,296)
Gross profit		7,301	5,122
Other income, gains and losses	5	741	14
Loss on financial instruments		(4,787)	(859)
Staff costs		(16,079)	(20,685)
Consultancy expenses		(1,171)	(159,836)
Depreciation of property, plant and equipment		(404)	(207)
Amortisation of intangible assets		(14,058)	(14,058)
Gain on disposal of subsidiaries		—	15,552
Impairment loss on goodwill		(145,325)	—
Impairment loss on intangible assets		(49,400)	—
Impairment loss on available-for-sale investments		(15,038)	—
Impairment loss on loan receivable		(5,000)	—
Allowance for obsolete inventories		(3,777)	—
Other operating expenses		(18,707)	(17,184)
Share of results of associates		(1,254)	(265)
Finance costs	6	(2,878)	—
Loss before taxation		(269,836)	(192,406)
Taxation	7	475	—
Loss for the year from continuing operations	8	(269,361)	(192,406)
Discontinued operations			
Loss for the year from discontinued operations		—	(6,414)
Loss for the year		(269,361)	(198,820)
Other comprehensive income for the year, net of tax			
— Exchange differences arising on translation of foreign operations		6,130	50
Total comprehensive loss for the year		(263,231)	(198,770)

	<i>Notes</i>	2012 HK\$'000	2011 <i>HK\$'000</i>
Loss for the year attributable to owners of the Company			
— Loss for the year from continuing operations		(247,443)	(190,690)
— Loss for the year from discontinued operations		<u>—</u>	<u>(6,414)</u>
		(247,443)	(197,104)
Loss for the year from continuing operations attributable to non-controlling interests of the Company		<u>(21,918)</u>	<u>(1,716)</u>
		<u>(269,361)</u>	<u>(198,820)</u>
Total comprehensive loss attributable to:			
— Owners of the Company		(241,313)	(197,054)
— Non-controlling interests		<u>(21,918)</u>	<u>(1,716)</u>
		<u>(263,231)</u>	<u>(198,770)</u>
Loss per share attributable to owners of the Company (HK cents)	9		
From continuing and discontinued operations			
— Basic and diluted		<u>(2.18)</u>	<u>(2.73)</u>
From continuing operations			
— Basic and diluted		<u>(2.18)</u>	<u>(2.64)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2012

	<i>Notes</i>	2012 HK\$'000	2011 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		106,494	224
Prepaid lease payments		52,258	—
Construction in progress		83,417	—
Intangible assets		4,485	67,943
Goodwill		329,435	36,592
Interests in associates		2,596	3,850
Available-for-sale investments		—	15,038
Long-term prepayment		8,108	—
Loan receivable		—	5,000
		586,793	128,647
Current assets			
Prepaid lease payments		1,179	—
Inventories		12,694	—
Amount due from a customer for contract work	<i>10</i>	110,017	218,305
Deposits, prepayments and other receivables		123,865	26,524
Held-for-trading investments		12,461	17,817
Bank balances and cash		10,687	93,224
		270,903	355,870
Total assets		857,696	484,517
Non-current liabilities			
Convertible notes		23,577	—
Deferred tax liabilities		8,312	—
Government grant		115,913	—
		147,802	—

	<i>Notes</i>	2012 HK\$'000	2011 <i>HK\$'000</i>
Current liabilities			
Trade payables	<i>11</i>	577	—
Other payables and accruals		7,265	16,246
Amount due to a director		2,130	—
		<u>9,972</u>	<u>16,246</u>
Total liabilities		<u>157,774</u>	<u>16,246</u>
Equity			
Share capital		120,873	78,806
Reserves		601,079	389,577
		<u>721,952</u>	<u>468,383</u>
Equity attributable to owners of the Company		721,952	468,383
Non-controlling interests		(22,030)	(112)
		<u>699,922</u>	<u>468,271</u>
Total equity		<u>699,922</u>	<u>468,271</u>
Total equity and liabilities		<u>857,696</u>	<u>484,517</u>
Net current assets		<u>260,931</u>	<u>339,624</u>
Total assets less current liabilities		<u>847,724</u>	<u>468,271</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The consolidated financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

In the current year, the Group has adopted all of the new and revised standards, amendments and interpretations (“new HKFRSs”) issued by the HKICPA that are relevant to its operations and effective for annual periods beginning on or after 1 April 2011.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010
HKAS 24 (as revised in 2009)	Related Party Disclosures
HK(IFRIC*) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement
HK(IFRIC*) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

* IFRIC represents the IFRS Interpretations Committee.

The application of the above new HKFRSs in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 1 (Amendment)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters ¹
HKFRS 1 (Amendments)	Government Loans ⁴
HKFRS 7 (Amendments)	Disclosures — Transfers of Financial Assets ¹
HKFRS 7 (Amendments)	Disclosures — Offsetting Financial Assets and Financial Liabilities ⁴
Amendments to HKFRS 7 and HKFRS 9	Mandatory Effective Date of HKFRS 9 and Transition Disclosures ⁶
HKFRS 9	Financial Instruments ⁶
HKFRS 10	Consolidated Financial Statements ⁴
HKFRS 11	Joint Arrangements ⁴
HKFRS 12	Disclosure of Interests in Other Entities ⁴
HKFRS 13	Fair Value Measurement ⁴
HKAS 1 (Amendments)	Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income ³
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets ²
HKAS 19 (as revised in 2011)	Employee Benefits ⁴
HKAS 27 (as revised in 2011)	Separate Financial Statements ⁴
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures ⁴
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities ⁵
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine ⁴

¹ Effective for annual periods beginning on or after 1 July 2011

² Effective for annual periods beginning on or after 1 January 2012

³ Effective for annual periods beginning on or after 1 July 2012

⁴ Effective for annual periods beginning on or after 1 January 2013

⁵ Effective for annual periods beginning on or after 1 January 2014

⁶ Effective for annual periods beginning on or after 1 January 2015

The Group is in the process of assessing the potential impact of the above new HKFRSs upon initial application but is not yet in a position to state whether the above new HKFRSs will have a significant impact on the results of operations and financial position of the Group.

3. SEGMENT INFORMATION

The directors of the Company, being the chief operating decision makers (“CODM”), make the decision of resource allocation and assessment of segment performance focusing on the Group’s loss for the year based on the following operating segments:

- Photovoltaic business — Development and manufacturing of solar cells, modules and panels for generating solar electric power, and establishment of solar electric power plant
- Strategic investments — Participation in primary and secondary securities market

The organisation of the Group is also based on the above two segments. Further, the CODM do not review segment assets and liabilities. Accordingly, no segment analysis is presented other than entity-wide disclosures.

The following is an analysis of the Group’s revenue and results by operating and reportable segments.

2012

	Photovoltaic business HK\$'000	Strategic investment HK\$'000	Consolidated HK\$'000
REVENUE			
Revenue	<u>315,686</u>	<u>—</u>	<u>315,686</u>
RESULTS			
Segment results	<u>(230,340)</u>	<u>(4,787)</u>	<u>(235,127)</u>
Other income, gains and losses			741
Share of results of associates			(1,254)
Unallocated corporate expenses			(31,318)
Finance costs			<u>(2,878)</u>
Loss before taxation			<u><u>(269,836)</u></u>

2011

	Photovoltaic business <i>HK\$'000</i>	Strategic investment <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
REVENUE			
Revenue	<u>174,418</u>	<u>—</u>	<u>174,418</u>
RESULTS			
Segment results	<u>(92,079)</u>	<u>(859)</u>	(92,938)
Other income, gains and losses			14
Share of results of associates			(265)
Unallocated corporate expenses			(114,769)
Gain on disposal of subsidiaries			<u>15,552</u>
Loss before taxation			<u>(192,406)</u>

Note: Segment results represent the profit or loss earned by each segment without allocating other income, gains and losses, share of results of associates, gain on disposal of subsidiaries, finance costs and unallocated central administration cost. This is the measure reported to the CODM for the purpose of resource allocation and performance assessment.

Other segment information

Amounts included in the measure of segment results or segment assets:

	Photovoltaic business		Strategic investment		Segment total		Unallocated		Total	
	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>								
Net loss on financial instruments	—	—	(4,787)	(859)	(4,787)	(859)	—	—	(4,787)	(859)
Depreciation of property, plant and equipment	(161)	(33)	—	—	(161)	(33)	(243)	(174)	(404)	(207)
Amortisation of prepaid lease payments	1,169	—	—	—	1,169	—	—	—	1,169	—
Amortisation of intangible assets	(14,058)	(14,058)	—	—	(14,058)	(14,058)	—	—	(14,058)	(14,058)
Impairment loss on loan receivable	—	—	—	—	—	—	5,000	—	5,000	—
Impairment loss on available-for-sale investments	—	—	—	—	—	—	15,038	—	15,038	—
Impairment loss on goodwill	145,325	—	—	—	145,325	—	—	—	145,325	—
Impairment loss on intangible assets	49,400	—	—	—	49,400	—	—	—	49,400	—
Additions to non-current assets	<u>32,268</u>	<u>446</u>	<u>—</u>	<u>—</u>	<u>32,268</u>	<u>446</u>	<u>1,136</u>	<u>91</u>	<u>33,404</u>	<u>537</u>

Revenue from major services

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Manufacturing of production lines for solar panels	<u>315,686</u>	<u>174,418</u>

Information about a major customer

Revenue from manufacturing of production lines for solar panels was solely derived from a director of the Company.

The customer is principally engaged in the production of solar panels and the revenue from the customer is included within the business segment of photovoltaic business.

Geographical information

The Group's revenue arises from the PRC.

As at 31 March 2012 non-current assets of HK\$1,021,000 (2011: HK\$160,000), HK\$580,000 (2011: HK\$64,000) and HK\$240,568,000 (2011: HK\$nil) were located in Hong Kong, the USA and the PRC respectively. Goodwill of HK\$nil (2011: HK\$36,592,000) and HK\$329,435,000 (2011: HK\$nil) arose from the acquisition of a USA incorporated subsidiary and PRC incorporated subsidiaries respectively, and the intangible assets of HK\$4,485,000 (2011: HK\$67,943,000) represent photovoltaic technology patents registered in the USA which can be applied for projects on worldwide basis.

Note: Non-current assets above excluded those relating to interests in associates, available-for-sale investments, loan receivable and long-term prepayment.

4. REVENUE

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Long-term service contract of photovoltaic business	<u>315,686</u>	<u>174,418</u>

5. OTHER INCOME, GAINS AND LOSSES

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Bank interest income	3	71
Government grant income	692	—
Consultancy service income	—	384
Net exchange gain/(loss)	46	(441)
	<u>741</u>	<u>14</u>

6. FINANCE COSTS

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Imputed interest on convertible notes wholly repayable within five years	<u>2,878</u>	<u>—</u>

7. TAXATION

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Current tax:		
Hong Kong Profits Tax (ii)	—	—
PRC Enterprise Income Tax (iii)	—	—
Other jurisdictions (v)	—	—
	<hr/>	<hr/>
	—	—
Deferred tax		
Tax credit (i)	(475)	—
	<hr/>	<hr/>
	(475)	—
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- (i) The tax credit represents deferred tax credit of convertible notes for the year ended 31 March 2012.
- (ii) Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years. No provision for Hong Kong Profits Tax had been made for the years ended 31 March 2012 and 2011 as the Group's operations in Hong Kong had no assessable profits.
- (iii) PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% for the year ended 31 March 2012.
- (iv) The PRC value-added tax

The Group is subject to the PRC value-added tax ("VAT") at 17% of revenue from the sale of goods in the PRC. Input VAT paid on purchases can be used to offset output VAT levied on sales to determine the net VAT recoverable/payable for the year ended 31 March 2012.

- (v) No provision for taxation in other jurisdictions was made in the consolidated financial statements for the years ended 31 March 2012 and 2011 as the Group's operations outside Hong Kong had no assessable profits.

8. LOSS FROM OPERATIONS

Loss from operations is stated at after charging:

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Depreciation		
— Owned assets	404	207
Cost of inventories recognised as an expense	300,754	165,000
Amortisation of prepaid lease payments	1,169	—
Amortisation of intangible assets	14,058	14,058
Allowance for obsolete inventories	3,777	—
Bad debts written off	—	684
Auditors' remuneration		
— fee	1,300	1,600
— other service	—	400
Operating lease rentals in respect of office premises	3,387	2,325
	<hr/> <hr/>	<hr/> <hr/>

9. LOSS PER SHARE

From continuing and discontinued operations

The calculation of the basic loss per share from continuing and discontinued operations attributable to the owners of the Company is based on the following data:

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Loss for the purpose of basic loss per share	<u>247,443</u>	<u>197,104</u>
	Number of shares	
	2012 '000	2011 '000
Number of shares for the purpose of basic loss per share	<u>11,352,173</u>	<u>7,214,524</u>

From continuing operations

The calculation of the basic loss per share from continuing operations attributable to the owners of the Company is based on the following data:

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Loss for the year attributable to the owners of the Company	247,443	197,104
Less: Loss for the year from discontinued operations	<u>—</u>	<u>(6,414)</u>
Loss for the purpose of basic loss per share from continuing operations	<u>247,443</u>	<u>190,690</u>

The denominators used are the same as those detailed above for the basic loss per share from continuing and discontinued operations.

From discontinued operations

The calculation of the basic loss per share from discontinued operations attributable to the owners of the Company is based on the following data:

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Loss for the year from discontinued operations	<u>—</u>	<u>6,414</u>
Basic loss per share from discontinued operations	<u>—</u>	<u>HK0.09 cent</u>

The denominators used are the same as those detailed above for the basic loss per share from continuing and discontinued operations.

Diluted loss per share

Diluted loss per share for both continuing and discontinued operations are the same as the basic loss per share presented, as the exercise of the Company's outstanding share options as well as the subsidiary's share options would result in a decrease in loss per share for the years ended 31 March 2012 and 2011.

10. AMOUNT DUE FROM A CUSTOMER FOR CONTRACT WORK

The amount of approximately HK\$110,017,000 (2011: HK\$218,305,000) shown on the consolidated statement of financial position as at 31 March 2012 represented the amount due from a customer, Mr. Yeung Ngo, one of the directors of the Company, for contract work of approximately HK\$220,170,000 (2011: HK\$218,305,000) less prepayment of inventories paid on behalf of the Group and advances to the Group from the customer of approximately HK\$110,153,000 (2011: HK\$nil). The analysis of amount due from a customer for contract work is as follows:

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Contracts in progress at the end of the reporting period:		
Contract costs incurred plus recognised profits	950,136	634,535
Less: Progress billings	(729,966)	(416,230)
	220,170	218,305

Note: The amount is expected to be recovered within 12 months from the end of the reporting period.

11. TRADE PAYABLES

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Trade payables	577	—

The following is an ageing analysis of trade payables at the end of the reporting period:

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Within 60 days	23	—
61 to 90 days	—	—
91 days to 1 year	551	—
Over 1 year	3	—
Total trade payables	577	—

The average credit period on purchases is 3 months. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

EXTRACT OF INDEPENDENT AUDITORS' REPORT

Basis for Qualified Opinion

The auditors' report dated 27 June 2011 issued by the predecessor auditors in respect of its audit of the consolidated financial statements of the Group for the year ended 31 March 2011 was qualified in view as a result of reasons summarised in the basis for qualified opinion paragraph therein.

We were not able to obtain sufficient appropriate audit evidence to enable us to assess the qualified opinion for the year ended 31 March 2011. Any adjustments found to be necessary to the opening balances as at 1 April 2011 may affect the results and related disclosures in the notes to the consolidated financial statements of the Group for the year ended 31 March 2012. The comparative figures for the year ended 31 March 2012 shown in these consolidated financial statements may not be comparable with the figures for the current period.

Any adjustments or additional disclosures found to be necessary in respect of the above matters will have a consequential significant effect on the financial position of the Company and the Group as at 31 March 2012 and 2011 and the financial performance and cash flows of the Group for the years then ended, and the related disclosures in the consolidated financial statements.

Other matter

The consolidated financial statements of the Group for the year ended 31 March 2011 were audited by the predecessor auditors who expressed a qualified opinion on those statements on 27 June 2011.

DIVIDEND

The directors of the company do not recommend the payment of any dividend for the year ended 31 March 2012 (2011: HK\$nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Prospect

With the determination of photovoltaic electricity pricing by the National Development and Reform Commission, it symbolises the State's recognition for the development of the photovoltaic industry.

With the advancement of the technology, the decline in price of raw materials, the expansion of production capacity and the improvement in efficiency of the photovoltaic industry, it is believed that the costs for photovoltaic power generation will be getting closer to that of other conventional energies. Photovoltaic power generation looks certain to evolve from an ancillary energy resource at present towards an alternative energy resource.

The 2 MW customer-side a-Si solar grid-connected power generation (photovoltaic building BIPV) project under the “National Gold Sun Project” (國家金太陽工程) in Yunnan Province, which was completely acquired by the Group from 大理源暢光電能源有限公司 in April 2011, will be connected to the national grid at the end of September this year. In addition, another major 6 MW a-Si solar grid-connected power generation project, namely Dagongshan, will also be connected to the national grid for power generation in December 2012. After commencement of production for both projects, they will become the Group’s demonstration projects for the two main power generation directions in a-Si solar energy, as well as bring revenue and benefits to the Group to a certain extent. The delay of the connection to the national grid of the two projects is due to the relevant procedures have not yet completed.

The Group completed all testing works for the organic integration with the agricultural industry based on the features of a-Si solar photovoltaic power generation, in order to lay a foundation in realising the joint development of a-Si photovoltaic power generation and modern ecological agriculture. The a-Si solar agricultural ecological facilities projects in Yunnan and Jiangsu Provinces will certainly contribute to the Group’s business development.

FINANCIAL REVIEW

Results

For the year ended 31 March 2012, the Group recorded a total turnover of HK\$315,686,000 (2011: HK\$174,418,000) from continuing operations and loss attributable to the owners from continuing operations of HK\$247,443,000 (2011: HK\$190,690,000). The loss attributable to the owners of the Company from continuing operations was mainly due to impairment loss in respect of goodwill, intangible assets and available-for-sale investments amounting to HK\$145,325,000, HK\$49,400,000 and HK\$15,038,000 respectively for the year ended 31 March 2012 whereas the loss attributable to the owners of the Company from continuing operations was mainly caused by the valuation of the share options of HK\$149,605,000 granted for during the year ended 31 March 2011. If such impairments and the value of the share options were taken out, the loss from continuing operations was, in fact, decreased by HK\$3,405,000 over the last year.

The basic loss per share from continuing operations was HK2.18 cents (2011: HK2.64 cents) for the year ended 31 March 2012 and the diluted loss per share was not applicable for both years.

Liquidity, Finance Resources and Funding

At 31 March 2012, the Group had net current assets of HK\$260,931,000 (2011: HK\$339,624,000) and cash and cash equivalents amounting to HK\$10,687,000 (2011: HK\$93,224,000). The decrease was mainly due to the payments to the subcontractors of the production lines.

The liquidity ratio of the Group, represented by a ratio between current assets over current liabilities, was 2,716.6% (2011: 2,190.5%) and it reflects adequacy of financial resources.

The indebtedness of the Group as at 31 March 2012 was HK\$139,490,000 (2011: HK\$nil) representing Convertible Notes with carrying amount of HK\$23,577,000 issued as part of the consideration for the acquisition of the entire interest in Stream Fund High-Tech Group Corp. Ltd. (“Stream Fund High-Tech”) and the subsidies from the governments of Changzhou and Dali amounting to HK\$115,913,000.

Foreign Exchange Exposure

The Group was exposed to a very limited level of exchange risk as the Group is mainly dealing with Hong Kong dollars and Renminbi.

Share Capital Structure

As at 1 April 2011, the Company has 1,129,600,000 listed warrants (the “Warrants”) at the issue price of HK\$0.023 outstanding, each conferring the right to subscribe for one new share at the initial exercise price of HK\$0.14 up to an aggregate amount of HK\$158,144,000 at any time during the period from 10 February 2010 to 9 February 2012. During the year, none of the Warrants had been exercised. All existing warrants of the Company in accordance with the terms and conditions of the instrument dated 8 February 2010 constituting the warrants expired as at 9 February 2012.

On 15 April 2011 and 15 August 2011, the Company issued 2,490,000,000 shares and 1,716,738,196 shares of the Company respectively as the Consideration Shares upon the completion of the acquisition of the entire interest in Stream Fund High-Tech and Solar Market Limited (“Solar Market”).

On 4 January 2011, the Company entered into the Subscription Agreements with the Subscribers, pursuant to which the Subscribers conditionally agreed to subscribe for and the Company conditionally agreed to issue an aggregate of 1,420,000,000 Subscription Shares at a price of HK\$0.114 per Subscription Share. On 4 March 2011, completion of the Subscription for 720,000,000 new Shares took place and the long stop date for the subscription for the remaining 700,000,000 Shares was extended to 27 August 2012.

During the year, no share options were exercised whereas 115,782,000 share options were cancelled.

Apart from the above, there was no change in the share capital structure of the Company during the year.

Material Acquisition of Subsidiaries and Disposal of Associates

On 7 February 2011 and 4 March 2011, the Group entered into a sales and purchase agreement and a supplemental sales and purchase agreement respectively with Mr. Yeung Ngo (“Mr. Yeung”), Profit High Group Limited and Time Across Limited for the acquisition of the entire interest in Stream Fund High-Tech at an aggregate consideration of approximately HK\$364,442,000. The consideration was satisfied as to HK\$40,742,000 by way of the convertible notes and as to HK\$323,700,000 by way of allotment and issue of the consideration shares at the issue price of HK\$0.13. The acquisition of Stream Fund High-Tech was completed on 15 April 2011. Mr. Yeung became the Chairman of the Group on 28 March 2011.

On 8 July 2011 and 12 July 2011, the Group entered into a sales and purchase agreement and a supplemental sales and purchase agreement respectively with Zheng Zhi Hong and Power Metro Investments Limited for the acquisition of the entire interest in Solar Market at an aggregate consideration of approximately HK\$154,506,000. The consideration was satisfied by way of allotment and issue of the consideration shares at the issue price of HK\$0.09. The acquisition was completed on 15 August 2011.

On 28 July 2011, the Group disposed of its associates namely Taiwan CS Energy Corporation (“Taiwan CS”) with its subsidiary to an independent third party at no consideration as Taiwan CS was inactive and incurred substantial accumulated losses in the past years.

On 4 January 2012, 江蘇源暢生態農業有限公司 was set up with the aim of developing a-Si solar agricultural ecological facilities business.

Contingent Liabilities

The Group has no significant contingent liabilities as at 31 March 2012 and 2011.

Capital Commitments

As at 31 March 2012, the Group had capital commitment in respect of the purchase of property, plant and equipment, construction in progress and capital not yet injected into certain PRC subsidiaries amounting to HK\$1,230,000, HK\$75,876,000 and HK\$412,845,000 respectively whereas as at 31 March 2011, the Group had no material capital commitments.

Charges on Group’s Assets

As at 31 March 2012 and 2011, there was no charge on the Group’s assets.

Human Resources

As at 31 March 2012, the Group had 55 (2011: 20) full time employees including 5 (2011: 5) executive directors.

The Group remunerated its employees mainly based on the individual's performance and experience. Apart from the basic remuneration, discretionary bonus and share option may be granted to eligible employees by reference to the Group's performance as well as individual's performance.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any listed securities of the Company.

CODE OF BEST PRACTICE

The Company had complied with the Code as set out in Appendix 14 to the Listing Rules throughout the year ended 31 March 2012 except for the following deviations:

Code Provision A.4.1

Under the code provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election. The current independent non-executive directors of the Company are not appointed for a specific term. However, all directors (including executive and non-executive) of the Company are subject to retirement by rotation at the annual general meeting as specified in the bye-laws of the Company.

Code Provision E.1.2

Under the code provision E.1.2 the chairman of the board should attend the annual general meeting. The Chairman of the Board, Mr Yeung was unable to attend the annual general meeting of the Company held on 1 August 2012 due to personal reasons. However, an Executive Director, present at the annual general meeting who then took the chair of that meeting in accordance with the Bye-Laws of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company had adopted the Model Code set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the directors. All Directors have confirmed, following specific enquiry by the Company, that they had complied with the required standard set out in the Model Code throughout the year ended 31 March 2012.

AUDIT COMMITTEE

The audit committee of the Company consists of Mr Yin Tat Man, Mr Choi Shek Chau, Mr Choy Tak Ho and Mr Fan Chuan, the four independent non-executive Directors. The primary duties of the audit committee are to review the accounting principles and practices adopted by the Group, and the financial reporting process and internal control system of the Group, including the review of and the approval of the audited consolidated financial statements for the year ended 31 March 2012.

The audited consolidated financial statements have been approved by the audit committee.

NOMINATION COMMITTEE

The Nomination Committee of the Company was established on 30 April 2012, with specific terms of reference in compliance with the Code of Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The Committee is responsible for making recommendations to the board for leading the process for board appointments and for identifying and nominating for the approval of the board candidates for appointment to the board.

PUBLICATION OF ANNUAL REPORT

The Company's 2012 annual report will be despatched to the shareholders of the Company on or before 31 July 2012 and will be published on the websites of The Stock Exchange of Hong Kong Limited and the Company.

By order of the Board
China Solar Energy Holdings Limited
Pierre Seligman
Managing Director

Hong Kong, 29 June 2012

As at the date of this announcement, the executive directors are Mr. Yeung Ngo, Mr. Yang Yuchun, Ms. Jin Yan and Mr. Pierre Seligman; the non-executive director is Mr. On Kien Quoc; and the independent non-executive directors are Mr. Yin Tat Man, Mr. Choi Shek Chau, Mr. Choy Tak Ho and Mr. Fan Chuan.