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CHINA SOLAR ENERGY HOLDINGS LIMITED

中國源暢光電能源控股有限公司*

(Provisional Liquidators Appointed)

(Incorporated in Bermuda with limited liability)

(Stock Code: 155)

UPDATE ON DEVELOPMENT OF THE GROUP

This announcement is made by China Solar Energy Holdings Limited (Provisional Liquidators Appointed) (the “**Company**”) pursuant to Rule 13.24A of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on the Stock Exchange of Hong Kong (the “**Stock Exchange**”).

(i) The development of business operations

The major assets of the Company were mainly held by five major subsidiaries located in Chengdu, Changzhou, Dali, Jiangsu and Anhui before suspension of trading in the shares of the Company on 16 August 2013.

The Provisional Liquidators of the Company (the “**PLs**”) have made investigations into the whereabouts of the Company’s assets in China after their appointment on 21 August 2015. The PLs only managed to recover the Company’s subsidiary in Chengdu which has a minimal operation with net assets of HKD5.425 million as at 31 March 2016. Such subsidiary is principally engaged in the business of purchasing acer truncatum fruits and leaves from acer farmers, and is also engaged in the processing, manufacturing and selling fabricated powders of such fruits and leaves to customers.

The subsidiary of the Company in Changzhou (常州源暢光電能源有限公司, the “**Changzhou Subsidiary**”) was placed into liquidation proceedings pursuant to the judgement of the Changzhou Intermediate People’s Court dated 13 March 2014. According to the information provided by the liquidator of the Changzhou Subsidiary, the total adjudicated debt amounted to RMB272 million. The total assets recovered was approximately RMB49.40 million, which was used to settle part of the indebtedness and also the professional fees incurred for the liquidation. Since the books, records and assets of Changzhou Subsidiary are under custody of the relevant liquidators in China, no further actions can be taken by the Company and the PLs.

The subsidiary of the Company in Dali (大理源暢光電能源有限公司, the “**Dali Subsidiary**”) is under custody of the Public Security Bureau of Dali due to its involvement in a suspected case of false reporting on the registered capital. The books and records of the Dali Subsidiary are being kept by the Dali Intermediate People’s Court. The legal advisers of the PLs in China advised that no further actions can be taken by the Company and the PLs.

The legal advisers of the PLs have visited the corresponding business addresses of the Jiangsu and Anhui subsidiaries. However, they were not able to locate any business operations or offices of the Jiangsu and Anhui subsidiaries at the location of the relevant registered office addresses filed with the Administration of Industry and Commerce (“**AIC**”). According to the available information to the PLs, the value of the Company’s interest in the Jiangsu and Anhui subsidiaries is uncertain but considers that it ought to be minimal.

The PLs will continue to monitor the operation of Chengdu’s subsidiary and the legal proceedings of the Changzhou Subsidiary and Dali Subsidiary, and provide timely update to the shareholders of the Company.

(ii) Resumption plan and progress concerning the new listing application

On 2 September 2016, Excel Deal Investments Limited (佳意投資有限公司) (“**Excel Deal**”), a wholly-owned subsidiary of the Company, 湖南興業綠色能源股份有限公司 (Hunan Singyes Green Energy Co. Ltd.*) (the “**Vendor**”, a wholly-owned subsidiary of the Vendor’s Guarantor (as defined below)), China Singyes Solar Technologies Holdings Limited (中國興業太陽能技術控股有限公司), being the ultimate holding company of the Vendor and a company listed on the Stock Exchange (Stock Code: 750) and Happy Fountain Limited (the “**Investor**”) entered into a sale and purchase agreement, pursuant to which Excel Deal conditionally agreed to acquire, and the Vendor conditionally agreed to sell, 81% of the equity interests in each of 新疆興業新能源有限公司 (Xinjiang Singyes Renewable Energy Technology Co., Ltd.*) (“**Target Company 1**”) and 武威東潤太陽能開發有限公司 (Wuwei Dongrun Solar Energy Development Company Limited*) (“**Target Company 2**”) (the “**Proposed Acquisition**”). Target Company 1 and Target Company 2 are both principally engaged in developing solar energy, technical consultation, designing solar power plant systems and investing in solar power plant projects. The Proposed Acquisition constitutes a reverse takeover of the Company under the Listing Rules.

On 2 September 2016, the Company, the PLs, the Investor and Mr. Cheung Shun Yee (張順宜), as the Investor’s guarantor, entered into a restructuring agreement (the “**Restructuring Agreement**”) to regulate and implement the restructuring of the Company, which includes, among others, (a) subscription of new Shares by the Investor, (b) placing of new Shares to independent placees, (c) the issue of convertible bonds of the Company to independent institutional investors, (d) open offer of new Shares to qualifying Shareholders and (e) schemes of arrangement in Hong Kong and Bermuda or an alternative creditors’ arrangement to be entered into between the Company and its creditors to settle all outstanding amounts which are due by the Company to such creditors.

The Company submitted a resumption proposal and a new listing application relating to the Proposed Acquisition and the transactions under the Restructuring Agreement to the Stock Exchange on 14 February 2017 and 24 February 2017 respectively.

On 15 September 2017 and 15 May 2018, the Company renewed its new listing application to the Stock Exchange pursuant to the requirements under the Listing Rules.

On 12 June 2018 and 9 July 2018, the Company received further comments from the regulators in respect of its new listing application. The Company and its professional advisers are working towards addressing the comments.

(iii) Major findings of the investigation by the PLs and remedial actions to be taken

Reference is made to the Company's announcement dated 18 October 2013 and 20 December 2013 in respect of the Allegations and Further Allegations made against Group and certain former directors for the Company.

The PLs have submitted an investigation report to the Stock Exchange to address the issues of the Allegations and Further Allegations. The Allegations and Further Allegations, as well as a summary of the Investigation Report is set out below in this announcement.

The said Allegations and Further Allegations made are as follows:

- (i) The registration of Changzhou Subsidiary, being a wholly foreign-owned enterprise established in the People's Republic of China (the "**PRC**") and a wholly-owned subsidiary of the Company, has been revoked by the local Administration for Industry and Commerce (the "**1st Allegation**");
- (ii) All the assets of Dali Subsidiary, together with the Changzhou Subsidiary, the "**PRC Subsidiaries**"), being a wholly foreign owned enterprise established in the PRC and a wholly-owned subsidiary of the Company, have been frozen for the reason that the registered capital of the Dali Subsidiary has not been paid up in accordance with the relevant PRC laws (the "**2nd Allegation**");
- (iii) Each of Mr. Yeung Ngo ("**Mr. Yeung**"), the chairman and executive director of the Company, Mr. Yang Yuchun ("**Mr. Yang**"), an executive director of the Company, and Mr. Hao Guojun ("**Mr. Hao**", together with Mr. Yeung and Mr. Yang, collectively known as the "**Relevant Directors**"), a non-executive director of the Company, have been detained by the PRC authorities due to fraudulent acts in the PRC which involved the major assets of two subsidiaries of the Company in the PRC (the "**3rd Allegation**", together with the 1st Allegation and the 2nd Allegation, collectively known as the "**Allegations**");
- (iv) Changzhou Subsidiary had failed to pass the annual reviews by the PRC authorities since 2010, its business licenses had been revoked according to the relevant PRC

regulations which was announced in the website of the PRC government bodies. It was also noted that the Dali Subsidiary failed to pass the annual review by the PRC authorities in 2012 (the “**First Allegation**”);

- (v) The paid up capital of the Changzhou Subsidiary and the Dali Subsidiary had not been paid, and the two subsidiaries could not operate normally due to lack of capital. The two PRC Subsidiaries were financed by massive lending from governmental bodies and banks through false representations made by Mr. Yeung, the pledging of the subsidiaries’ assets and falsification of their accounts (the “**Second Allegation**”);
- (vi) Despite the non-compliances and operating difficulties of the Changzhou Subsidiary and the Dali Subsidiary, Mr. Yeung intentionally sold the two PRC Subsidiaries to the Company in 2011 at inflated price through false representations. Mr. Yeung became the Company’s single largest shareholder who held 26.34% share capital of the Company after the transaction (the “**Third Allegation**”);
- (vii) The land owned by the Changzhou Subsidiary (the “**Land**”) was pledged in 2012 and 2013 to obtain personal loans for Mr. Yeung and his associates but it has not been approved by the Board and no public disclosures have been made by the Company (the “**Fourth Allegation**”);
- (viii) The lender has applied to the PRC Court to seize the Land as Mr. Yeung and his associates failed to meet the loans repayment obligations. The PRC Court has issued three court orders to seize the Land (the “**Fifth Allegation**”); and
- (ix) Mr. Yeung and the directors of the Changzhou Subsidiary failed to discharge their fiduciary duties (the “**Sixth Allegation**”, together with the First Allegation, the Second Allegation, the Third Allegation, the Fourth Allegation and the Fifth Allegation, collectively known as the “**Further Allegations**”).

Background of the Investigation

On 21 August 2015, Mr. Stephen Liu Yiu Keung and Mr. Andrew Koo Chi Ho were appointed as the PLs of the Company by the Hong Kong Court. On 8 September 2016, the Stock Exchange placed the Company into the third delisting stage. The Company has submitted a resumption proposal to the Hong Kong Stock Exchange and a new listing application with regard to its resumption proposal. In order to, inter alia, fulfil the Resumption Conditions, the PLs have scrutinised all the related information and documents available and come up with the following findings.

Summary of key findings set out in the Investigation Report

- (A) The loan of Mr. Yeung’s associate which was guaranteed by the pledge of the Land has been returned to Huaxia Bank right before the acquisition of the Stream Fund High-Tech Group Corporation Limited. However, the Land was pledged again on

April 2012 for obtaining a loan by Mr. Yeung's associate. There was no proper approval from the board of directors of the Company and no public disclosure related to this matter have been made;

- (B) As Mr. Yeung's associate could not make the loans repayment, the loan lender then applied to the PRC Court to seize the Land. The PRC Court thereafter placed the Changzhou Subsidiary in liquidation on 10 March 2014 and its business registration had been revoked by the AIC;
- (C) All the assets of Dali Subsidiary have been frozen by Dali Public Security since the share capital has not been paid up;
- (D) The Relevant Directors were detained by the PRC authority for fraudulent acts that involved the major assets of Changzhou Subsidiary and Dali Subsidiary. The case is under appeal, and Dali Provincial Intermediate Court has not given any judgement in the matter;
- (E) Changzhou Subsidiary and Dali Subsidiary failed to pass the annual reviews since 2010 and 2012 respectively;
- (F) Changzhou Subsidiary and Dali Subsidiary could not operate normally, most probably due to insufficient working capital. There is no evidence to suggest that the two PRC subsidiaries were financed by massive loans from government bodies.

Action considered by the Company

Given that (i) Mr. Yeung had been declared bankrupt on 5 August 2015, (ii) Changzhou Subsidiary had been placed in liquidation since 31 July 2014, (iii) Dali Subsidiary had been frozen by the Public Security Bureau of Dali as an entity with no land use right, no properties and equipment and unpaid share capital throughout, and (iv) the Relevant Directors were detained by the PRC authority, the legal advisers of the PLs is of the view that the economic benefits to be obtained by taking legal actions against the Relevant Directors and the subsidiaries is expected to be minimal and the costs of taking legal actions would likely outweigh the benefits. Therefore no action was taken against the Relevant Directors and the subsidiaries by the PLs.

(iv) Progress of publishing all outstanding interim and annual results of the Company

As there are still outstanding issues pending to be resolved, additional time would be required to finalise the financial figures, including the annual results for the years ended 31 March 2014, 2015, 2016, 2017 and 2018, as well as the interim results for the six months ended 30 September 2014, 2015, 2016, 2017 and 2018. The auditors of the Company have completed the special audits of the accounts of the Company. The Company is preparing the statutory accounts of the Company for the year from 2014 to 2018. The publication of the said annual and interim results will be made as soon as practicable and they are scheduled to be completed by the end of November 2018.

(v) **Findings and recommendations of the internal control review on the Target Company 1 and Target Company 2**

The Company engaged an independent internal control consultant to perform a review on the internal control system of the Target Company 1 and Target Company 2 (together “**Target Companies**”) and the Company. The independent internal control consultant performed an on-site review and discussed with each of the Target Companies’ and Company’s management the status of implementation of remedial measures recommended by it. Below is the major items of the recommended internal control system. In particular, the “Compliance with Listing Rules” (item 1) are specifically for the Company, while “Asset protection” (item 2), “Cash-flow management” (item 3) and “Financial reporting” (item 4) are related to the Target Companies and the Enlarged Group (as defined below). “Internal audit” (item 5) procedures are more focused on Enlarged Group, while “Non-compliance events prevention” are related to both Enlarged Group all the way down to the Target Companies.

No.	Areas	Entity	Internal control system to be implemented by the Company (and its subsidiaries from time to time) comprising the Group and the Target Companies upon Completion (the “Enlarged Group”)
1	Compliance with Listing Rules	The Company	The Enlarged Group planned to adopt various policies aim to ensure compliance with the Listing Rules, including aspects related to corporate governance, connected transactions and securities transactions.
2	Asset protection	Target Companies and the Enlarged Group	As fixed assets are critical to the Target Companies’ business operation, the Enlarged Group has devised and planned to enforce an internal control system to ensure fixed assets have been inspected and duly recorded in the fixed assets register for Directors’ review.
3	Cash-flow management	Target Companies and the Enlarged Group	As part of the revenue of the Target Companies are from subsidy, which actual payments normally lags behind, the Enlarged Group should control cash-flow and financing diligently. The Enlarged Group has devised and planned to enforce an internal control system to ensure bank records and invoices are duly documented and kept for Directors’ review.
4	Financial reporting	Target Companies and the Enlarged Group	The Enlarged Group has devised and planned to enforce an internal control system to ensure management accounts including revenue forecast, cash-flow forecast and credit-aging reports are prepared regularly for Directors’ review.

5	Internal audit	Enlarged Group	<p>The Enlarged Group planned to form an internal audit team which regularly monitors key controls and procedures in order to assure the board of Directors that the internal control system is functioning as intended. The audit committee of the Board of Directors will be responsible for supervising the internal audit function.</p>
6	Non-compliance events prevention	Enlarged Group and the Target Companies	<p>The Enlarged Group planned to adopted a number of enhanced internal control procedures to prevent the recurrence of non-compliance incidents relating to delay in obtaining material licences and failure to obtain land use rights.</p> <p>To ensure that the relevant PRC laws and regulations are strictly complied with and to prevent any recurrence of any of the previous non-compliance matters in the future, the Enlarged Group will adopt the following internal control measures:</p> <ol style="list-style-type: none"> 1. A transparent communication mechanism will be established to encourage reporting of potential non-compliance exposure identified and timely detection of problems so that corrective actions can be undertaken promptly by the person responsible. <ul style="list-style-type: none"> • To ensure its compliance with applicable laws, regulations and rules, the Enlarged Group will designate an executive Director to oversee compliance matters in relation to the regulatory issues of the Target Companies. • Each staff member within the Target Companies is entitled to report to the management any non-compliance identified or any problems detected through one of the following channels: <ol style="list-style-type: none"> a. for operational or technical issues, the staff can report them to the chief station manager at each of the Solar Plants;

- b. for compliance matters, the staff can report them to the compliance officer through his contact details; and
 - c. for compliance matters or all other problems, the staff can report them to any one of the Directors or senior management, or any member of the audit committee of the Enlarged Group through their respective contact details.
 - The company secretary of the Enlarged Group will keep record of any problems or non-compliance incidents identified, and report the same to the senior management or audit committee as soon as reasonably practicable.
2. To further enhance its internal control measures, the Enlarged Group will engage external independent professionals to perform regular reviews of the Target Companies' material internal control measures on an annual basis. The independent internal control consultant to be appointed shall be a professional firm specializing in corporate governance, internal audit and internal control review services and experienced in providing internal control review services to listed companies.
 3. The Enlarged Group will set up an audit committee of the Board to ensure proper internal control.

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 1:00 p.m. on 16 August 2013 and will remain suspended until further notice. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

For and on behalf of
China Solar Energy Holdings Limited
(Provisional Liquidators Appointed)
Stephen Liu Yiu Keung and Andrew Koo Chi Ho
Joint and Several Provisional Liquidators

Hong Kong, 1 August 2018

As at the date of this announcement, the Board comprises Ms. Lam Po Ling Pearl and Mr. Xie Xin Ye as executive Directors.

* *For identification purposes only*