

SFC seeks court orders against former and current directors of Hanergy Thin Film Power Group Limited

23 Jan 2017

The Securities and Futures Commission (SFC) has today commenced legal proceedings in the Court of First Instance to seek disqualification orders against the former chairman, Mr Li Hejun, and four current independent non-executive directors, Ms Zhao Lan, Mr Wang Tongbo, Mr Xu Zheng and Mr Wang Wenjing, of Hanergy Thin Film Power Group Limited (Hanergy) (Notes 1 & 2).

The SFC is also seeking a court order requiring Li to procure that Hanergy's parent company, Hanergy Holding Group Limited (Hanergy Holding) and/or its affiliates pay all outstanding receivables due to Hanergy under various sales contracts and execute a guarantee securing their payment. The first hearing of the petition will be in the Court of First Instance on 31 May 2017.

The SFC's action follows its investigation into various very substantial connected transactions between Hanergy and Hanergy Holding since 2010 (Note 3).

The SFC alleges that the five directors failed to question the viability of Hanergy's business model which relied on the sales of solar panel production systems to its connected parties, Hanergy Holding and its affiliates, as its main source of revenue; and failed to properly assess the financial positions of the connected parties and hence the recoverability of the receivables due from them as a result of these connected transactions.

They also failed to take proper steps to recover these receivables by putting the interests of the connected parties before that of Hanergy, and so did not act in Hanergy's best interest.

On 15 July 2015, the SFC suspended trading in the shares of Hanergy. The trading suspension remains in place (Note 4).

Hanergy has indicated its intention to seek a resumption of the trading in its shares. The SFC has stipulated two requirements for a resumption:

- that the five directors agree not to contest the legal proceedings and the SFC's application to disqualify them and that Li also agrees not to contest the SFC's application for a court order requiring him to procure and guarantee payment of receivables; and
- the publication of a disclosure document which will provide detailed information on the company, its activities, business, assets, liabilities, financial performance and prospects to address the SFC's concerns that led it to suspend trading in Hanergy's shares.

Hanergy is required to submit the disclosure document to the Board of the SFC for it to consider Hanergy's request for resumption of trading. There is no assurance that the SFC Board will agree that the trading of Hanergy's shares on the Stock Exchange of Hong Kong Limited (SEHK) may resume (Note 5).

End

Notes:

1. Hanergy is listed on the Main Board of the SEHK. It supplies equipment and turnkey production lines for the manufacturing of thin film solar photovoltaic modules. Li was at all material times and still is a substantial shareholder of Hanergy owning a majority stake in Hanergy through a number of companies.
2. The legal proceedings were commenced under section 214 of the Securities and Futures Ordinance, under which the court may: make orders to disqualify a person from being a director or being involved, directly or indirectly, in the management of any corporation for up to 15 years; order a company to bring proceedings in its own name against any person specified in the order; and make any other order it considers appropriate.
3. Hanergy and its subsidiaries had entered into various connected transactions with Hanergy Holding and its affiliates in Mainland China since 2010. Li was at the material times and still is the ultimate owner and controller of Hanergy Holding.
4. The SFC suspended the trading in the shares of Hanergy under section 8 of the Securities and Futures

(Stock Market Listing) Rules (SMLR).

5. Under section 9 of the SMLR, a listed company, whose shares have been suspended by the SFC under section 8 of SMLR for trading, may make representations to the SFC. Upon such representations, the SFC may permit trading to resume subject to conditions or cancel the listing. The powers of the SFC under section 9 of SMLR may only be exercised by a meeting of the SFC and are not delegable.

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