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CHINASOLAR
ENERGY

CHINA SOLAR ENERGY HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 155)

**VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION
AND RESUMPTION OF TRADING**

Asset Purchase Agreement and Settlement Agreement

TSG and TSNA (subsidiaries of the Group) entered into Asset Purchase Agreement on 27 April 2007 with Solar Co. whereby TSG and TSNA sold the production facilities relating to photovoltaic products and located at the Premises to Solar Co. at a consideration of US\$1.5 million (equivalent to approximately HK\$11.6 million). On the same date, TSG also entered into Settlement Agreement with RESI and Dr. Kiss to transfer its rights and obligations in Blue Star Project to RESI.

Implications under the Listing Rules

Solar Co. is a company owned as to approximately 80% by Mrs. Kiss (wife of Dr. Kiss) and RESI is a company wholly owned by Dr. Kiss who was a director of the Company on 27 April 2007 (being date of the Relevant Agreements). Dr. Kiss resigned from the Chairman and non-executive Director of the Company with effect from 27 August 2007. As the applicable percentage ratio under revenue test in respect of the Relevant Agreements exceeds 75%, the transactions contemplated under the Relevant Agreements constitutes a very substantial disposal and connected transaction under the Listing Rules, which will be subject to the reporting, announcement and Independent Shareholders' approval requirements (to be taken by way of poll at the SGM) under the Listing Rules. Dr. Kiss and his associates will abstain from voting on relevant resolutions in respect of the approval of the connected transaction proposed at the SGM.

The Group does not have any prior transactions or relationship with Dr. Kiss or his associates which require aggregation of transactions under Rules 14.22 and 14A.25 of the Listing Rules.

SGM

An independent board committee of the Board comprising the three independent non-executive Directors will be formed to advise the Independent Shareholders in relation to the terms and conditions of the Relevant Agreements and an independent financial adviser will be appointed to advise the independent board committee and the Independent Shareholders.

A circular of the Company containing, among other things, (i) further details of the Relevant Agreements; (ii) financial information relating to the Group (including an accountants' report

on the Group and an pro forma income statement, balance sheet and cash flow statement of the remaining group); (ii) opinions of the independent board committee and independent financial adviser; and (iii) a notice convening the SGM will be dispatched to the Shareholders as soon as possible.

Resumption of trading

Trading in shares of the Company has been suspended at the request of the Company from 9:30 a.m. 2 November 2007 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the shares of the Company with effect from 9:30 a.m. on 7 November 2007.

BACKGROUND OF THIS ANNOUNCEMENT

The Board of Directors of the Company became first aware of sale of assets and business operations of TSG and TSNA (two overseas subsidiaries of the Group) in the USA to Solar Co. after receipt of the draft audited financial statements of TSG in the middle of July 2007 during the preparation of the consolidated financial statements of the Group for the year ended 31 March 2007. Then, the Company has requested the management of TSG Group to provide further information and details about the concerned transaction. After obtaining the further information, the Directors consider that the concerned transaction may constitute a connected and notifiable transaction under the Listing Rules and has requested the concerned parties to enter into a supplemental agreement to have the effect that the completion of the Asset Purchase Agreement is conditional upon the Independent Shareholders' approval for the compliance with the requirements of the Listing Rules. After the Company's explanation of the requirements of the Listing Rules to the concerned parties and negotiation of the terms of the said supplemental agreement between the concerned parties, the parties to the Asset Purchase Agreement entered into a supplemental agreement on 11 October 2007. The Company has requested the management of TSG and TSNA to provide further information for the finalization of preparation of this announcement under the Listing Rules.

THE ASSET PURCHASE AGREEMENT (varied by the supplemental agreement dated 11 October 2007 between the Seller and the Buyer)

Date

27 April 2007

Parties

Seller: TSG and TSNA, both are subsidiaries of the Group ("Seller")

Buyer: Solar Co. ("Buyer"), a company engaged in the principal business of solar applications and products

Assets being disposed

The Seller agreed to sell all machinery, equipment and hardware of any kind associated with the business of manufacturing of photovoltaic panels and sale of the photovoltaic manufacturing equipment and located at the Premises to the Buyer under the Asset Purchase Agreement.

Purchase price

The purchase price is in the sum of US\$1,500,000 (equivalent to approximately HK\$11,625,000) which was agreed to be settled in cash according to the following timetable :

<u>Installment</u>	<u>Payment Amount</u> (US\$)	<u>Payment Date</u>
1 st	100,000	1 May 2007
2 nd	150,000	1 June 2007
3 rd	200,000	1 July 2007
4 th	300,000	1 August 2007
5 th	350,000	1 September 2007
6 th	200,000	1 October 2007
7 th	200,000	1 November 2007
Total	<u>1,500,000</u>	

All the above installments have been paid by the Buyer to the Seller. The basis for the determination of the purchase price is set out in the paragraph headed “Consideration” set out below.

Use of the purchase price

The purchaser price under the Asset Purchase Agreement will be used by the Group as general working capital of the Group.

Condition precedent and Completion of the Asset Purchase Agreement

The obligations of the Buyer and the Seller to effect completion of the Asset Purchase Agreement shall be conditional upon the passing of resolution by the Independent Shareholders at the SGM approving the transactions contemplated under the Relevant Agreements. The parties agreed to complete the Asset Purchase Agreement on the Closing Date which shall be within five business days after (1) the fulfillment of the above condition precedent and (2) payment by the Buyer of the 7th installment of the Purchase Price and total outstanding accrued interests to the Seller. Upon the receipt of the full purchase price under the Asset Purchase Agreement, the ownership of the assets being purchased under the Asset Purchase Agreement shall be transferred from the Seller to the Buyer on the Closing Date.

OTHER AGREEMENTS ENTERED INTO TOGETHER WITH THE ASSET PURCHASE AGREEMENT

Assignment and Assumption of Commercial Lease for the Premises (“Assignment of Lease”) Date

27 April 2007

Parties

Assignor : TSNA (the “Assignor”)

Assignee : Solar Co. (the “Assignee”)

The Assignor was the tenant under certain commercial lease (“Lease”) for the Premises dated February 2006 between the Assignor and the landlord of the Premises for a term of 10 years from 1 March 2006 at progressive annual rental payments in the range from US\$225,000 (equivalent to HK\$1,743,750) per annum in the first year to US\$500,000 (equivalent to HK\$3,875,000) per annum in the tenth year with aggregate rental payments in ten years of US\$4,100,000 (equivalent to HK\$31,775,000). The Assignor rented the Premises with floor area of around 50,000 square

feet to carry on the photovoltaic business. The landlord of the Premises is a party independent of the Company and its connected persons.

By execution of the Assignment of Lease which is legal in the US jurisdiction, the Assignor agreed to transfer all its right and interests in the Lease to the Assignee with effect from the Closing Date. On the Closing Date, the parties to the Assignment of Lease will also obtain the written consent of the landlord of the Premises to the terms of the Assignment of Lease to the effect that the Assignor will be discharged from all the obligations under the Lease which will be taken up by the Assignee with the effect from the Closing Date. As far as the Directors are aware, the management of TSG have started to negotiate with the landlord of the Premises about the obtaining of the said consent and they have confident that they will obtain the consent on the Closing Date.

Settlement Agreement

Date

27 April 2007

Parties

- (1) TSG
- (2) RESI and Dr. Kiss

Main term of Settlement Agreement

TSG entered into the Settlement Agreement with RESI and Dr. Kiss, whereby, among others, TSG agreed to transfer all its rights and obligations under Blue Star Project to RESI except that TSG keeps 10% equity interest in BSTP along with the rights and obligations in connection with the 10% equity interest. RESI is a company engaged in the principal business of solar applications and products.

Blue Star Project

In January 2005, TerraSolar, Inc., a company of which Dr. Kiss was one of the directors and the major shareholder, entered into agreements with Blue Star, whereby

- (1) BSTP would be established in the PRC under joint venture contract with Blue Star, TerraSolar, Inc. and Cameste Resources Limited as joint venture partners to engage in the business of manufacturing, marketing, and after-sales service of CIGS solar module and a-Si solar module in the PRC (The Company confirms that, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Cameste Resources Limited and its ultimate owner are third parties independent of the Company and its connected persons);
- (2) TerraSolar, Inc. would sell the equipment to BSTP in relation to manufacturing of CIGS solar module and a-Si solar module under equipment sale/purchase agreements; and
- (3) TerraSolar, Inc. would transfer technology and know-how to BSTP in relation to manufacturing of CIGS solar module and a-Si solar module under technology transfer contracts.

The project of establishing business of manufacturing and marketing of CIGS solar module and a-Si solar module in the PRC by TerraSolar, Inc. as supplier of equipment and provider of technical services to BSTP as contemplated under the above-mentioned agreements (including joint venture contract, equipment sale and purchase agreement and technology transfer contracts) is referred to as "Blue Star Project" and the Blue Star Project was originally held by TerraSolar,

Inc. After the completion of this Blue Star Project, BSTP will be engaged in the manufacturing and marketing of the said solar modules in the PRC.

In April 2005 (before the Company's acquisition of the TSG Group in July 2005), TSG entered into an Assignment and Assumption of the Blue Star Project with TerraSolar, Inc. whereby TerraSolar, Inc. assigned to TSG all the rights and obligations of TerraSolar, Inc. under the Blue Star Project. Before April 2005, the Blue Star Project was held by TerraSolar, Inc. and TerraSolar, Inc. transferred the ownership of the project to TSG in April 2005. After the execution of the Settlement Agreement in April 2007, TSG transferred the ownership of the project to RESI.

Other terms of the Settlement Agreement

RESI and Dr. Kiss will provide management and oversight as well as administrative support necessary for completion and delivery of equipment, prepare and deliver operational manuals to Blue Star, complete training on-site of Blue Star personnel at locations of Blue Star, and complete the performance tests for Blue Star. The parties to the Settlement Agreement shall use their best efforts to release TSG of any obligations and liabilities under the Blue Star Project. RESI will also make a best effort to obtain a release from Blue Star of the Company's performance guarantee in relation to the equipment purchase agreement. RESI also agreed to take up all the obligations of TSG under the Lease from the date of the Settlement Agreement to the Closing Date, after which Solar Co. will assume all the liabilities under the Lease.

Consideration

The aggregate amount of consideration to be received under the Relevant Agreements (collectively, comprising Asset Purchase Agreement, the Assignment of Lease and the Settlement Agreement and all related agreements) is equal to the purchase price to be paid under the Asset Purchase Agreement which is in the sum of US\$1,500,000.00 (equivalent to approximately HK\$11,625,000). Under the terms of the Assignment of Lease and the Settlement Agreement, the parties to the aforesaid agreements have agreed to assign and assume the rights and obligations as contemplated thereunder without further payment of consideration. The consideration was negotiated between the parties at arm's length, having regard to the fair value of the assets and liabilities to be transferred under the Relevant Agreements based on re-assessment of the fair value made by the Directors :

	As at 31 March 2007	
	Fair value (HK\$'000)	Carrying amount in the books of the Group (HK\$'000)
Assets		
Property, plant and equipment	10,616	13,333
Inventories	758	758
Trade receivable	37,627	37,627
Other receivable	<u>5,219</u>	<u>5,219</u>
Total assets	54,220	56,937
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Liabilities		
Trade payable	35,600	35,600
Other payable	<u>6,995</u>	<u>6,995</u>
Total liabilities	<u>42,595</u>	<u>42,595</u>
Net assets	11,625	14,342
	=====	=====

The above financial information is extracted from the audited consolidated financial statements of the Group for the year ended 31 March 2007 which have been prepared in accordance with the Hong Kong Financial Reporting Standards (for details please refer to note 27 “Asset held for sale” to the aforesaid financial statements on pages 74 – 75 of the 2007 Annual Report of the Company). The assets disposed under the Asset Purchase Agreement are classified under the asset with the description of “Property, plant and equipment” as set out in the above table.

The fair value of the above assets and liabilities is based on their book amounts as at 31 March 2007 with due adjustment made to the property, plant and equipment in consideration of factors of condition, utility, age and obsolescence. The re-assessment of the above assets and liabilities to fair value resulted in a loss of HK\$2,717,000 recorded in the consolidated income statement of the Group in the year ended 31 March 2007. The said loss is mainly attributable to depreciation in fair value as compared with carrying cost of various manufacturing equipment which is currently not in use due to obsolescence.

The unaudited net loss before and after tax of the business of the assets transferred under the Relevant Agreements for the year ended 31 March 2007 amounted to approximately HK\$5,817,000. There is no profit or loss of the business of such assets for the year ended 31 March 2006.

REASONS FOR AND BENEFITS FROM ENTERING INTO THE RELEVANT AGREEMENTS

The Group is principally engaged in photovoltaic business, strategic investments and capital market activities and financing business.

Production facilities at the Premises

As mentioned in the Annual Report of the Company for the year ended 31 March 2007 in the paragraph headed “Solar Business” in the section of Management Discussion and Analysis (page 6), the Group plans to shift the production to Asia in order to minimize the production cost. In December 2006, the Group has entered into an agreement to supply 31 sets of “Vetrogrid” production equipment to a business partner in the PRC. In May 2007, the Group entered into joint venture contract to form a joint venture company which paves the way for the establishment of manufacture base of photovoltaic products in Jiangxi province. The Group has recently discussing business opportunities with various suppliers of photovoltaic manufacturing equipment in Taiwan. The production facility at the Premises has been utilized mainly to support the delivery of equipment and services under the Blue Star Project. Apart from the support to the Blue Star Project, the production facility did not generate any other revenue in the financial year ended 31 March 2007. The average monthly running cost of the production facilities (including the rent, material and staff costs) amounted to around US\$120,000 (equivalent to approximately HK\$930,000). By entering into the Asset Purchase Agreement and the Assignment of the Lease, the Group is able to dispose of assets which are not consistent with the Group business strategy and to improve the Group cashflow instantly.

Blue Star Project

Originally the agreements in relation to the sale of equipment and provision of related services under the Blue Star Project were entered into by TerraSolar, Inc. in January 2005, before the acquisition of the TSG Group by the Company in July 2005. By the end of March 2007, the majority of equipment in relation to the manufacturing of CIGS solar module and a-Si solar module under the Blue Star Project have been delivered. The remaining work and services to be

carried out by TSG under the Blue Star Project is to complete the installation, carry out performance test of the installed equipment, provide manuals and on-site training to the staff of customer. As know-how involving CIGS solar module is still an emerging technology, the Group is exposed to implementation risk when the performance test results may take time and resources to prove to be satisfactory. After discussion between the Company and Dr. Kiss who is the person who introduced the Blue Star Project to the Group, Dr. Kiss agreed to take up all the remaining obligations of TSG under the Blue Star Project by execution of the Settlement Agreement. As the production facility at the Premises are mainly utilized for the support of the Blue Star Project, the Asset Purchase Agreement and the Assignment of Lease were also executed in conjunction with the Settlement Agreement.

The Directors are of the view that the Relevant Agreements are on normal commercial terms and the terms of the Relevant Agreements are fair and reasonable and the transactions under the Relevant Agreements are in the interests of the Company and the Shareholders as a whole.

IMPLICATION UNDER THE LISTING RULES

Solar Co. is a company owned as to approximately 80% by Mrs. Kiss (wife of Dr. Kiss) and approximately 20% by other shareholders who are independent of the Company and its connected person. In addition, RESI is a company wholly owned by Dr. Kiss. At the date of execution of the Relevant Agreements, Dr. Kiss was a director of the Company and Mrs. Kiss was an associate of Dr. Kiss, a connected person of the Company. Dr. Kiss resigned from the Chairman and non-executive Director of the Company with effect from 27 August 2007. As the applicable percentage ratio under revenue test in respect of the Relevant Agreements exceeds 75%, the transactions contemplated under the Relevant Agreements constitute a very substantial disposal and connected transaction under the Listing Rules, which will be subject to the reporting, announcement and Independent Shareholders' approval (to be taken by way of poll at the SGM) requirements under the Listing Rules. Dr. Kiss and his associates will abstain from voting on relevant resolutions in respect of the approval of the connected transaction proposed at the SGM.

At the date of this announcement, the shareholding of Dr. Kiss and his associates in the Company comprises 620,000,000 Shares (representing approximately 14.44% of the issued share capital of the Company) which is owned by Multichannel Investments Limited, a company which is a wholly owned subsidiary of Flytech Holdings Limited (a company wholly owned by Dr. Kiss).

The Group does not have any prior transactions or relationship with Dr. Kiss or his associates which require aggregation of transactions under Rules 14.22 and 14A.25 of the Listing Rules.

GENERAL

A circular containing further information on the Relevant Agreements, and, among others, financial information of the Group (including an accountants' report on the Group and an pro forma income statement, balance sheet and cash flow statement of the remaining group), the opinions of the independent board committee and the independent financial adviser will be dispatched to Shareholders as soon as practicable.

RESUMPTION OF TRADING

Trading in shares of the Company has been suspended at the request of the Company from 9:30 a.m. 2 November 2007 pending the release of this announcement. Application has been made to

the Stock Exchange for the resumption of trading in the shares of the Company with effect from 9:30 a.m. on 7 November 2007.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context otherwise requires.

“a-Si”	amorphous silicon
“Asset Purchase Agreement”	a conditional asset purchase agreement dated 27 April 2007 entered into between TSG and TSNA together as seller and Solar Co. as buyer in relation to the purchase of the production facility located at the Premises and varied by a supplemental agreement entered into by the parties on 11 October 2007
“associates”	has the meanings as ascribed to it under the Listing Rules
“Assignment of Lease”	an assignment and assumption of the Lease dated 27 April 2007 entered into between TSNA as assignor and Solar Co. as assignee in relation to the assignment of all the rights and obligations of the assignor under the Lease to the assignee
“Blue Star”	Weihai Blue Star Glass Group Co., Ltd, a company incorporated in the PRC, a third party independent of the Company and its connected persons
“Blue Star Project”	the project of establishing business of manufacturing and marketing of CIGS solar module and a-Si solar module in the PRC by TerraSolar, Inc. as supplier of equipment and provider of technical services to BSTP as contemplated under various agreements entered into by TerraSolar, Inc. and Blue Star and the ownership of the said project was first transferred by TerraSolar, Inc. to TSG in April 2005 then later in April 2007 to RESI except the 10% equity interest in BSTP (together with related rights and obligations)
“Board”	the board of Directors
“BSTP”	a joint venture company under the name of Weihai Blue Star Terra Photovoltaic Co., Ltd. pursuant to a joint venture contract dated 10 January 2005 among Blue Star, Terra Solar Inc., and Cameste Resources Limited
“Cameste Resources Limited”	a company incorporated in the British Virgin Islands and one of the joint venture partners in the formation of BSTP
“CIGS”	copper indium gallium diselenide
“Company”	China Solar Energy Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange;

“connected person”	has the meanings as ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company (including independent non-executive director(s))
“Dr. Kiss”	Dr. Zoltan J Kiss who is the former Chairman and non-executive Director of the Company
“Independent Shareholders”	Shareholders other than Dr. Kiss and his associates
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Lease”	the lease on the Premises granted by the landlord of the Premises to TSNA for a period of ten years from 1 March 2006
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mrs. Kiss”	the wife of Dr. Kiss
“PRC”	the People’s Republic of China
“Premises”	the commercial premises located at 200 Ludlow Drive, Ewing, New Jersey, USA
“Relevant Agreements”	collectively comprises Asset Purchase Agreement, Assignment of Lease, Settlement Agreement and all such related agreements
“RESI”	Renewable Energy Solution, Inc., a company incorporated in the USA and wholly owned by Dr. Kiss
“Settlement Agreement”	an agreement dated 27 April 2007 entered into among TSG, RESI and Dr. Kiss in relation to, among others, transfer of TSG’s rights and obligations in the Blue Star Project
“SGM”	the special general meeting of the Company to be convened to consider and, if thought fit, approve the Relevant Agreements and the transactions contemplated therein, including any adjournment thereof
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holders of the shares of the Company
“Solar Co.”	Solar Co. NJ, a company incorporated in the USA and owned as to approximately 80% by Mrs. Kiss and approximately 20%

by third parties independent of the Company and its connected persons

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“TerraSolar, Inc.”	TerraSolar, Inc., company incorporated in the USA of which Dr. Kiss is one of the directors and the major shareholder
“TSG Group”	TSG and its subsidiaries (including TSNA)
“TSG”	Terra Solar Global, Inc., a company incorporated in the USA and a non-wholly owned subsidiary of the Group
“TSNA”	Terra Solar North America, Inc., a company incorporated in the USA and a non-wholly owned subsidiary of the Group
“USA”	The United States of America
“US\$”	United States dollars, lawful currency of the USA
“%”	per cent

For the purpose of illustration in this announcement, figures in United States dollars are translated into Hong Kong dollars at the approximate exchange rate of US\$1.00 to HK\$7.75 respectively.

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

Hong Kong, 6 November 2007

As at the date of this announcement, the Board comprises four Executive Directors, namely, Messrs. Pierre Seligman, Chu Chik Ming Jack, Chan Wai Kwong Peter and On Kien Quoc, one non-executive Director Mr. Henry J. Behnke III and three Independent Non-executive Directors, namely, Messrs. Chow Siu Ngor, Yin Tat Man and Tam Kam Biu William.