Chinese solar company blames short-sellers for stock trouble

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In this Wednesday, Jan. 9, 2013 file photo, Li Hejun, chairman and CEO of Hanergy Holding Group, attends a press conference at the company's headquarters in Beijing. In comments released Tuesday, Sept. 29, 2015, Li of a troubled Chinese solar panel manufacturer denied wrongdoing and blamed a plunge in its share price on short-selling by hedge funds. (AP Photo/Alexander F. Yuan, File)

The chairman of a troubled Chinese solar panel manufacturer has denied wrongdoing and blamed short-selling by hedge funds for a plunge in the price of its Hong Kong-traded shares.

Hanergy Thin Film Power Group Ltd. is cooperating with an investigation by Hong Kong regulators following the May 20 suspension in trading of its shares, chairman Li Hejun said in comments released Tuesday by its Chinese parent company. He urged investigators to finish their work as soon as possible.

Trading in Hanergy shares in Hong Kong was suspended after their price fell by nearly half, wiping $19 billion off its market value in less than an hour.

Li denied suggestions Hanergy engaged in improper dealings with its Chinese parent. He blamed the price fall on "malicious short-selling"—or betting by traders that a share's price will fall—by hedge funds he did not identify.

The share price of Hanergy, a unit of Beijing-based Hanergy Holding Group, soared over the year before its suspension, making Li one of China's richest businessmen but prompting warnings the increase was dangerously fast. Financial analysts questioned the Hong Kong company's reliance on making the bulk of its sales to its Chinese parent.

"The only big winner is short-sellers," said Li at an event marking the anniversary of the Chinese parent company's founding, according to the transcript released by the company. "While I have enormous direct losses, the losses for shareholders, investors, institutions and employees make me even more sad and upset."

Li's comments add to a wave of criticism of short-selling by Chinese business leaders following the plunge in share prices of other companies that were targeted by investors who questioned their finances.

Short-selling involves selling borrowed shares in a troubled company in the expectation that an investor can later buy shares at a lower price to return to their owner, making a profit.

Some investors try to push down share prices by publicly challenging companies' financial information. That has prompted demands by Chinese corporate leaders for regulators to limit the practice.

Hanergy requested the May trading halt but Hong Kong regulators took the unusual step in July of issuing an order blocking a resumption of trading even if the company requests it.

The Hong Kong company said in July that regulators ordered the trading halt because it refused to hand over financial statements for its Chinese parent and details of loans taken out by Li. It said that information was private.

Li's comments this week suggested Hanergy has yet to resolve that standoff. He repeated that its lawyers believe it is inappropriate for Hong Kong regulators to demand information from the Chinese parent because it is not publicly traded.

Li said the fact that dealings with its parent company made up a big share of Hanergy's business was a "historical legacy" and sales to other customers are rising. He said dealings with the parent were "open and transparent."

"Hanergy strictly abided by all relevant rules," he said.

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