CHINA SOLAR ENERGY HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)
(Stock code: 155)

ANNUAL RESULT ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2006

(Expressed in Hong Kong dollars)

FINANCIAL RESULTS

The board of directors (the "Board") of China Solar Energy Holdings Limited (formerly known as "REXCAPITAL International Holdings Limited") (the "Company") hereby announces the audited results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2006 together with the audited comparative figures for the corresponding period in 2005 as follows:

Consolidated income statement
For the year ended 31 March 2006

	Notes	2006 HK$'000	Restated 2005 HK$'000
Revenue	3, 5	**12,354**	3,769
Other income	4	**2,704**	1,678
Costs of long-term service contracts		**(6,479)**	–
Staff costs		**(13,186)**	(6,130)
Consultancy expenses		**(22,106)**	–
Amortisation of goodwill		**–**	(2,712)
Impairment of goodwill		**(47,890)**	–
Depreciation of property, plant and equipment		**(122)**	(1)
Fair value gain on financial assets at fair value through profit or loss/Unrealised loss on trading securities at fair value		**4,880**	(15,447)
Provision for impairment of receivables arising from			
– disposal of subsidiaries		**–**	(350,000)
– others		**(19,107)**	(1,476)
Other operating expenses		**(7,835)**	(4,570)
Loss from operations	6	**(96,787)**	(374,889)
Finance costs	7	**(536)**	(908)
Non-operating income		**–**	1
Loss before income tax		**(97,323)**	(375,796)
Income tax expense	8	**(118)**	(517)
Loss for the year		**(97,441)**	(376,313)
Attributable to:			
Equity holders of the Company	9	**(95,506)**	(376,313)
Minority interests		**(1,935)**	–
		(97,441)	(376,313)
Loss per share for loss attributable to equity holders of the Company for the year		HK cents	HK cents
Basic	11(a)	**(3.32)**	(18.05)
Diluted	11(a)	N/A	N/A

Consolidated balance sheet
As at 31 March 2006

	Notes	2006 HK$'000	2005 HK$'000
Non-current assets			
Property, plant and equipment		**12,106**	3
Goodwill		**140,575**	47,890
Available-for-sales financial assets		**–**	–
Investments in securities		**–**	–
		152,681	47,893
Current assets			
Inventories		**519**	–
Unbilled revenue from long-term service contracts		**6,858**	–
Financial assets at fair value through profit or loss		**16,173**	–
Trading securities		**–**	13,388
Trade and other receivables	12	**22,770**	35,954
Amount due from a shareholder		**15,720**	–
Amount due from a minority shareholder		**3,908**	–
Tax recoverable		**674**	674
Cash and cash equivalents		**147,419**	7,841
		214,041	57,857
Current liabilities			
Trade and other payables	13	**29,800**	3,151
Amount due to a related company		**–**	9,395
Provision for taxation		**635**	517
Borrowings		**3,832**	6,752
		34,267	19,815
Net current assets		**179,774**	38,042
Total assets less current liabilities / Net assets		**332,455**	85,935
Equity			
Share capital		**36,326**	27,525
Reserves		**281,408**	58,410
Equity attributable to equity holders of the Company		**317,734**	85,935
Minority interests		**14,721**	–
Total equity		**332,455**	85,935

Notes

1. **BASIS OF PREPARATION**

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants. In addition, the financial statements 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. They have been prepared under the historical cost convention, except for the revaluation of certain financial assets and financial liabilities. These financial statements are presented in Hong Kong dollars.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 March each year. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. All material intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred, in which case they are recognised immediately in income statement.

The acquisition of subsidiaries during the year has been accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the assets acquired and liabilities, including contingent liabilities, assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Minority interests represent the interests of outside shareholders in the results and net assets of the Company's subsidiaries.

2. **ADOPTION OF NEW AND REVISED HKFRS**

2.1 ***Impact of new and revised HKFRS which are effective in the current financial year***

From 1 April 2005, the Group has adopted the following new or revised standards of HKFRS which are relevant to its operations:

HKAS 1	Presentation of Financial Statements
HAKS 2	Inventories
HAKS 7	Cash Flow Statements
HAKS 8	Accounting Polices, Changes in Accounting Estimates and Errors
HAKS 12	Income Taxes
HAKS 14	Segment Reporting
HAKS 16	Property, Plant and Equipment
HAKS 17	Leases
HAKS 18	Revenue
HAKS 19	Employee Benefits
HAKS 21	The Effects of Changes in Foreign Exchange Rates
HAKS 23	Borrowing Costs
HAKS 24	Related Party Disclosures
HAKS 27	Consolidated and Separate Financial Statements
HAKS 32	Financial Instruments: Disclosure and Presentation
HAKS 33	Earnings per Share
HAKS 36	Impairment of Assets
HAKS 37	Provisions, Contingent Liabilities and Contingent Assets
HAKS 38	Intangible Assets
HAKS 39	Financial Instruments: Recognition and Measurement
HAKS 39 Amendment	Transitional and Initial Recognition of Financial Assets and Financial Liabilities
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations

All the standards have been applied retrospectively except where specific transitional provisions require a different treatment. Accordingly, the financial statements for the year ended 31 March 2005 including their presentation have been amended in accordance with HKAS 8 and comparative figures for financial year 2005 contained in these financial statements differ from those published in the financial statements for the year ended 31 March 2005.

Significant impacts on current, prior or future periods arising from the first-time adoption of the standards listed above with respect to presentation, recognition and measurement of accounts are described in the following paragraphs:

(a) *Adoption of HKAS 1*

The adoption of HKAS 1 led to an update of the presentation of financial statements. In particular, minority interests are now included as a separate line item within equity. Profit and loss attributable to minority interests and that attributable to equity holders of the Company is now presented as an allocation of the net result of the year. In addition, proceeds from sale of trading securities are now excluded from revenue.

(b) *Adoption of HKAS 32 and HKAS 39*

HKAS 32 requires all disclosure and presentation rules regarding financial instruments to be applied retrospectively. HKAS 39 generally does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis.

Convertible notes

In the prior year, convertible notes were stated at amortised cost. Upon the adoption of HKAS 32, convertible notes are split into liability and equity components. The adoption of HKAS 32 has no material effect on the financial statements.

Investments in securities

Prior to the adoption of HKAS 39, the Group classified its investments in securities as "Investments in securities" and "Trading securities" and recorded them at cost less any impairment and at fair value respectively. Upon the adoption of HKAS 39, investments in securities are classified as available-for-sale financial assets or financial assets at fair value through profit or loss, as appropriate. In accordance with the provision of HKAS 39, available-for-sale financial assets and financial assets at fair value through profit or loss are carried at fair value with changes in fair value dealt with in equity and recognised in income statement respectively. The adoption of HKAS 39 has not resulted in any change in measurement of these securities. Other adjustments as a result of adoption of HKAS 39, which is applied prospectively, is recognised in the opening balances on 1 April 2005 and are summarised in note 2.1(f).

(c) *Adoption of HKAS 36 and HKFRS 3*

Goodwill arising on acquisitions in prior years was capitalised and amortised over its estimated useful life and was subject to impairment testing when there was indication of impairment. The adoption of HKFRS 3 has resulted in the Group ceasing goodwill amortisation and commencing impairment testing annually as well as when there is indication of impairment. As a result of this change in accounting policy, no amortisation of goodwill has been charged in the current financial year. The carrying amount of the related accumulated amortisation on 1 April 2005 was eliminated against the gross amount of goodwill.

The effect of the above changes are summarised in notes 2.1(e) and 2.1(f). In accordance with the relevant transitional provisions of HKFRS 3, comparative figures have not been restated.

(d) *Adoption of HKFRS 2*

HKFRS 2 requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares, or in exchange for other assets equivalent in value to a given number of shares or rights over shares. The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of share options of the Company or its subsidiaries determined at the date of grant of the share options over the vesting period ("share based compensation"). Prior to the adoption of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised. The transitional provisions of HKFRS 2 allow the Group to adopt HKFRS 2 retrospectively for share options which were granted on or after 7 November 2002 and had not yet vested on 1 April 2005. Other than the share options granted during the current financial year which have been accounted for in accordance with HKFRS 2 (the financial effect is summarised in notes 2.1(e) and 2.1(f)), the Group had no share options granted after 7 November 2002 and remained unvested on 1 April 2005 and accordingly, comparative figures have not been restated.

(e) *The changes in accounting policies arising from the adoption of the new and revised HKFRS have effect on the consolidated income statement for the year ended 31 March 2006 and the effect are summarised below:*

	Effect of adopting HKAS 36 & HKFRS 3	HKFRS 2	Total
	HK$'000	*HK$'000*	*HK$'000*
Year ended 31 March 2006			
Decrease in amortisation of goodwill	**2,712**	**–**	**2,712**
Increase in staff costs			
– share options	**–**	**(24,186)**	**(24,186)**
(Increase)/Decrease in loss for the year	**2,712**	**(24,186)**	**(21,474)**
	HK cents	**HK cents**	**HK cents**
(Increase)/Decrease in basic loss per share	**0.09**	**(0.84)**	**(0.75)**
	HK cents	**HK cents**	**HK cents**
(Increase)/Decrease in diluted loss per share	**N/A**	**N/A**	**N/A**

(f) *The changes in accounting policies arising from the adoption of the new and revised HKFRS have effect on the consolidated balance sheets as at 1 April 2005 and 31 March 2006 and the effects are summarised below:*

	Effect of adopting HKAS 32 & HKAS 39	HKAS 36 & HKFRS 3	HKFRS 2	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2005				
Increase/(Decrease) in assets				
Financial assets at fair value through profit or loss	13,388	–	–	13,388
Trading securities	(13,388)	–	–	(13,388)
At 31 March 2006				
Increase/(Decrease) in assets				
Financial assets at fair value through profit or loss	16,173	–	–	16,173
Trading securities	(16,173)	–	–	(16,173)
Increase/(Decrease) in equity				
Share option reserve	–	–	22,569	22,569
Share premium	–	–	1,617	1,617
Accumulated losses	–	2,712	(24,186)	(21,474)

2.2 *New standards or interpretation that have been issued but not yet effective*

The Group has not early adopted the following standards or interpretations of HKFRS that have been issued but are not yet effective and are relevant to the Group. The directors of the Company anticipate that the adoption of such standards or interpretations will not result in substantial changes as to how the results and financial position are prepared and presented.

HKAS 1 (Amendment)	Capital Disclosures [1]
HKAS 21 (Amendment)	The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation [2]
HKAS 39 (Amendment)	The Fair Value Option [2]
HKAS 39 & HKFRS 4 (Amendment)	Financial Instruments: Recognition and Measurement and Insurance Contracts – Financial Guarantee Contracts [2]
HKFRS 7	Financial Instruments – Disclosures [1]
HK(IFRIC) – INT 8	Scope of HKFRS2 [3]
HK(IFRIC) – INT 9	Reassessment of Embedded Derivatives [4]

1 *Effective for annual periods beginning on or after 1 January 2007*
2 *Effective for annual periods beginning on or after 1 January 2006*
3 *Effective for annual periods beginning on or after 1 May 2006*
4 *Effective for annual periods beginning on or after 1 June 2006*

3. REVENUE

Revenue, which is also the Group's turnover, represents value of services rendered and interest income earned from money lending. An analysis of revenue is as follows:

	2006	Restated 2005
	HK$'000	*HK$'000*
Financial advisory services	**813**	715
Interest income	**3,816**	3,054
Long-term service contracts	**7,725**	–
	12,354	3,769

Note:

The gross proceeds from the sale of trading securities for the year amounted to HK$23,012,000 (2005: HK$44,405,000). Upon adoption of HKAS 1 "Presentation of Financial Statements", the amount is excluded from the revenue for the year. The comparative figure for 2005 has been reclassified to conform with current year's presentation.

The results arising from the fair valuation of trading securities is now shown separately in the consolidated income statement under "Fair value gain on financial assets at fair value through profit or loss/unrealised loss on trading securities at fair value".

4. OTHER INCOME

	2006	2005
	HK$'000	*HK$'000*
Secondment services	**2,628**	1,613
Interest income	**60**	1
Others	**16**	64
	2,704	1,678

5. SEGMENT REPORTING

(a) ***Business segments***

	Strategic investments and capital market activities		Financing		Photovoltaic business		Unallocated		Consolidated	
	2006	Restated 2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	Restated 2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue from external customers	**813**	715	**3,816**	3,054	**7,725**	–	**–**	–	**12,354**	3,769
Segment result	**(46,845)**	(23,148)	**(10,677)**	3,066	**(3,888)**	–	**–**	–	**(61,410)**	(20,082)
Unallocated operating expenses, net									**(35,377)**	(354,807)
Loss from operations									**(96,787)**	(374,889)
Finance costs									**(536)**	(908)
Non-operating income									**–**	1
Loss before income tax									**(97,323)**	(375,796)
Income tax expense									**(118)**	(517)
Loss for the year									**(97,441)**	(376,313)
Depreciation	**–**	–	**–**	–	**110**	–	**12**	1	**122**	1
Amortisation of goodwill	**–**	2,712	**–**	–	**–**	–	**–**	–	**–**	2,712
Capital expenditure	**106**	–	**–**	–	**12,185**	–	**–**	–	**12,291**	–
Impairment provision of receivables	**–**	1,476	**14,435**	–	**–**	–	**4,672**	350,000	**19,107**	351,476
Impairment of goodwill	**47,890**	–	**–**	–	**–**	–	**–**	–	**47,890**	–
Fair value gain on financial assets at fair value through profit or loss/ unrealised loss on trading securities at fair value	**4,880**	(15,447)	**–**	–	**–**	–	**–**	–	**4,880**	(15,447)

(b) ***Geographical segments***

The Group participates principally in China and the United States ("US").

	Hong Kong		Other areas of China		US		Consolidated	
	2006	Restated 2005	**2006**	2005	**2006**	2005	**2006**	Restated 2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue from external customers	**4,629**	3,769	**–**	–	**7,725**	–	**12,354**	3,769

6. LOSS FROM OPERATIONS

	2006	Restated 2005
	HK$'000	*HK$'000*
Loss from operations is arrived at after charging/(crediting):		
Auditors' remuneration		
– current	**680**	390
– over provision in prior year	**(36)**	(108)
Loss on disposal of property, plant and equipment	**66**	–
Operating lease charges in respect of land and buildings	**1,208**	306
Amount recognised as expenses for defined contribution retirement benefit schemes (included in staff costs)	**144**	115

7. FINANCE COSTS

	2006	2005
	HK$'000	*HK$'000*
Interest charges on:		
Convertible notes	**–**	518
Other loans	**536**	390
	536	908

8. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profit for the year.

No provision for income tax outside Hong Kong has been made (2005: Nil) as the companies comprising the Group operated outside Hong Kong either sustained a loss for taxation purpose or had a tax exemption.

	2006	2005
	HK$'000	*HK$'000*
Current tax – Hong Kong income tax for the year	**118**	517

Reconciliation between tax expense and accounting profit or loss at applicable tax rates is as follows:

	2006	2005
	HK$'000	*HK$'000*
Loss before income tax	**(97,323)**	(375,796)
Tax effect on loss before income tax calculated at rates applicable to profit or loss in the tax jurisdiction concerned	**(17,998)**	(65,764)
Tax effect of non-deductible expenses	**15,222**	66,919
Tax effect of non-taxable revenue	**(1,057)**	(1,011)
Tax losses utilised	**–**	(20)
Tax effect of current year's tax losses not recognised	**3,952**	393
Other temporary differences not recognised	**(1)**	–
Actual tax expense	**118**	517

The Group has deferred tax assets of HK$7,361,000 (2005: HK$3,684,000) arising from estimated tax losses of approximately HK$36,544,000 (2005: HK$21,051,000). The deferred tax assets have not been recognised as it is uncertain whether future taxable profit will be available for utilising the tax losses. The estimated tax losses incurred in Hong Kong amounting to HK$32,733,000 can be carried forward indefinitely and the estimated tax losses incurred in US amounting to HK$3,811,000 will expire in the financial year 2026.

At the balance sheet dates, the Group and the Company did not have any significant deferred tax liabilities.

9. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

Of the consolidated loss attributable to equity holders of HK$95,506,000 (2005: HK$376,313,000), a loss of HK$35,701,000 (2005: HK$355,125,000) has been dealt with in the financial statements of the Company.

10. DIVIDENDS

The directors do not recommend the payment of a dividend for the year ended 31 March 2006 (2005: Nil) and the Company did not pay any interim dividend during the year.

11. LOSS PER SHARE

(a) Basic loss per share

The calculation of the basic loss per share is based on the loss for the year attributable to equity holders of the Company of HK$95,506,000 (2005: HK$376,313,000) and the weighted average number of ordinary shares of 2,873,962,000 (2005: 2,085,407,000) in issue during the year.

(b) Diluted loss per share

No diluted loss per share has been presented as the options and warrants of the Company and the options of a subsidiary were outstanding as at 31 March 2006 and 31 March 2005 and during the respective financial year had an anti-dilutive effect to the Group's loss per share.

12 TRADE AND OTHER RECEIVABLES

Details of the trade and other receivables including ageing anlysis of the gross trade receivable balance at the balance sheet date, based on loan drawdown date or invoice date, is as follows :

	Group	
	2006	2005
	HK$'000	*HK$'000*
Trade receivables:– *(note (i))*		
Within 3 months	**969**	1,005
4 to 6 months	**1,486**	444
7 to 12 months	**20,900**	29,738
Over 12 months	**13,042**	–
	36,397	36,187
Less: Provision for impairment *(note (i))*	**(14,435)**	–
	21,962	31,187
Deposits and prepayments	**808**	14
Other receivables	**354,672**	354,753
Less: Provision for impairment	**(354,672)**	(350,000)
	22,770	35,954

Notes:

(i) Included in trade receivables of the Group are loan receivables amounted to HK$35,335,000 (2005: HK$31,020,000) arising from the money lending business. The loan receivables are unsecured, interest-bearing at prime rate plus 5% per annum and with repayment period of 6 months or 12 months from date of drawdown. In respect of the remaining balance of HK$1,062,000 (2005: HK$167,000), billings are normally due on presentation.

(ii) The carrying amounts of trade and other receivables approximate their fair values at the balance sheet dates.

13 TRADE AND OTHER PAYABLES

Details of the trade and other payables including ageing analysis of trade payables, based on invoice date, are as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Trade payables		
Within 3 months	**819**	–
4 to 6 months	**154**	–
	973	–
Temporary receipts from customers	**13,948**	–
Other payables and accrued charges	**14,879**	3,151
	29,800	3,151

The carrying amounts of trade and other payables approximate their fair values at the balance sheet dates.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

During the period under review, the Group, in addition to continue to be principally engaged in two major businesses – strategic investments and capital market activities as well as financing business, has one more business in solar industry. The solar business was our group's new investment which became part of our group in this January.

STRATEGIC INVESTMENTS AND CAPITAL MARKET ACTIVITIES

Due to the issuance of the new accounting standard, turnover for trading of securities was restated to zero and instead, net effect between the sales proceeds and the cost of the securities sold was shown under the term "Fair value gain on financial assets at fair value through profit of loss/unrealised loss on trading securities at fair value" which was gain of approximately HK$4,880,000 (2005: loss of approximately HK$15,447,000). The improvement was due to the improving economic conditions strengthened market confidence which favorably affected the performance of the Group's securities investments.

Financing Business

For the period under review, turnover from this business segment accounted for 30.88% of the total turnover of the Group. Demand for finance is growing in tandem with the general expansion of corporate and investment activity and we believe that the Group will benefit from these opportunities. Although we adopt a prudent and conservative financing policy to maintain strict control of risk to protect the interests of our shareholders, we still take a prudent approach to make provision for doubtful debts of approximately HK$14 million to reflect the risk arising from the policy to the interest rate of China.

Solar Business

Despite the acquisition of the Terra Solar group was completed in January 2006, Terra Solar Group has already contributed the group's turnover by approximately HK$7.7M, representing 62.53% (2005: N/A)

Placing of New Shares

In March 2006, the Company completed the placement of 256,750,000 new shares to independent investors, at HK$0.59 per share, raising net proceeds of approximately HK$139 million which would be used for general working capital and future investments. We were delighted with the overwhelming positive response from independent investors to this placement, which we believe is a reflection of the financial market's confidence in the Group's investment value and growth potential. The placement has not only broadened the Group's shareholder base but also boost the liquidity of our shares.

Private Placing of Listed Warrants

In June 2005, the Company issued 550,000,000 listed warrants by way of private placing at the issue price of HK$0.046 per warrant, each conferring the right to subscribe for one new share at the initial exercise price of HK$0.116 up to an aggregate amount of HK$63,800,000 at any time during the period from 4 July 2005 to 3 July 2007. The Directors are of the view that the placing of warrant is a good opportunity to strengthen the Group's financial position and enhance its ability to develop and capture business opportunities. The net proceeds of approximately HK$24.0 million was used for general working capital and investment.

Acquisition of Solar Energy Business

In July 2005, the Company entered into a sale and purchase agreement with Multichannel Investments Limited. Pursuant to the agreement, the Company acquired the entire issued share capital of Eaglefly Technology Limited ("Eaglefly") for a total consideration of approximately HK$161 million. Upon completion of the acquisition, Eaglefly is a wholly-owned subsidiary of the Company. The Group, through Eaglefly, holds a 51% equity interest in Terra Solar Global Inc. and its subsidiaries (the "Terra Solar Group") with this investment forming the basis of the Group's entry into the solar energy business. The Group believes that solar power will bring dynamic, long-term business opportunities, especially against the background of recent oil price rises, growing worldwide energy demand and the apparent decline in fossil-fuels reserves as an affordable and sustainable resource. In addition, the Group believes its investment in the Terra Solar Group will strengthen the Group's earning potential and recurrent income base and have a positive impact on the Group's long term profitability.

Overall

Compared with last year, our results for the year under review reflected an improvement from the business operations because of the financial market in strategic investments and capital market activities are improved as a result of the gradual recovery of the Hong Kong economy in the year of 2005. And our new investment in the solar industry also has turnover contributed to our group even though the acquisition of 51% TerraSolar Global, Inc. ("TerraSolar"), a US based private solar photovoltaic company was completed in January 2006.

In May 2006, the name of our company have completely changed from "REXCAPITAL International Holdings Limited" to "China Solar Energy Holdings Limited". This is the beginning of a new era in our group, the Photovoltaic era.

The PV business has been growing at average rate of over 30% over the past five years. Recently there has been a huge shortage of silicon feedstock which has caused a huge shortage of PV modules. The price of silicon was US$9.-/Kilogram in 2000 and now it is well over US100.-/kilogram.

To meet the surging demand and supply limitations, some players are shifting to the next generation of PV Technology; thin film. Terra Solar and their technical staff have been innovators in the thin film PV industry for more than 30 years. They built and commercialized the first thin film amorphous Silicon production line in 1982.

Our company will leverage on Terra Solar's experience and know-how in the thin film PV technology to become the largest supplier of low cost thin film modules. In the first stage, we expect to have 50 MW production capacity through our OEM business model. Our OEM partner will own and operate the manufacturing facilities and sell the modules to China Solar Energy. This low capex business model gives our Group large production capacity with minimal financial risk.

Our challenge to invest at the right pace and at the right time in the growing markets to diversify our investment, i.e. Terra Solar, has proved successfully. We are certain that the solar-energy-related business will become a new engine to increase our Group's earnings in the future.

In the year ahead, we will focus our efforts in expanding the newly acquired solar-energy-related business while continue to develop our existing core business segments in order to maximize the returns for our shareholders.

FINANCIAL REVIEW

Results

For the year ended 31 March 2006, the Group recorded a turnover of approximately HK$12,354,000 (2005: HK$3,769,000), representing a increase of approximately 228%. The increase in turnover was mainly due to the contribution from the solar business though the acquisition of the solar business was completed in the second half of January 2006.

Loss attributable to equity holders of the Company was HK$95,506,000 (2005: loss of HK$376,313,000). The basic loss per share was 3.32 cents (2005: 18.05 cents). In current year, the loss was mainly due to i) the written off of the goodwill of approximately HK$47.9 million against the subsidiary which is engaged in capital market activities; ii) the increase in the personnel expenses of the group of approximately HK$24 million due to the recognition of the fair value of the share options granted to staff and consultants as a result of the new accounting standard and iii) provision of doubtful debts of approximately HK$19 million. If these factors were taken out, the loss for the year was approximately HK$6,400,000 which was when compared with that of last year.

Last year, the loss was mainly due to the provision of doubtful debts in other receivables which resulted in a provision of HK$350,000,000. If the provision was taken into account, the loss for last year was HK$26,313,000.

In last year, the provision of HK$350,000,000 represented the non-payment of the consideration from the disposal of the Group's interest in 87.5% of the issued shares in REXCAPITAL Infrastructure Limited ("RIL"). On 29 October 2003, the Group entered into a sale and purchase agreement with Sky China Holdings Limited, an independent third party, for the disposal of a 87.5% interest in RIL. Despite repeated demands made by the Group, Sky China Holdings Limited has failed to make full payment. As a result of default in payment of the purchase consideration, the Group decided to adopt a prudent treatment in respect of doubtful debts and accordingly a provision of HK$350,000,000 has been made.

Liquidity, Financial Resources and Funding
At 31 March 2006, the Group had net current assets of HK$179,774,000 (2005: HK$38,042,000). The increase was due to the increase in cash and cash equivalents as a result of the exercise of share options, exercise of warrants during the year and the private placing of shares in March 2006.

At 31 March 2006, the Group had a total of HK$147,419,000 in cash and cash equivalents (2005: HK$7,841,000). Most of the cash reserves were placed in Hong Kong dollar short-term deposits with major banks in Hong Kong.

The liquidity ratio of the Group, represented by a ratio between current assets over current liabilities, was 625% (2005: 292%), reflecting adequacy of financial resources.

The indebtedness of the Group as at 31 March 2006 was HK$3,832,000 (2005 : HK$16,147,000).

Foreign Exchange Exposure
The Group is exposed to a very limited level of exchange risk as the foreign currency that the group dealing with are mainly denominated in US dollars to which Hong Kong dollars was pegged.

Share Capital Structure
During the year under review, in June 2005, the Company issued up to a maximum of 550,000,000 listed warrants by way of private placing at the issue price of HK$0.046, each conferring the right to subscribe for one new share at the initial exercise price of HK$0.116 up to an aggregate amount of HK$63,800,000 at any time during the period from 4 July 2005 to 3 July 2007. As at 31 March 2006, 4,850,000 warrants have been exercised.

In January 2006, upon the completion of the acquisition of the entire issued share capital of Eaglefly Technology Limited, the company issued 600,000,000 new shares of HK$0.01 each at price HK$0.223 as Consideration shares to Multichannel Investments Limited.

In March 2006, a private placing of 256,750,000 new shares of HK$0.01 each at price HK$0.59 to independent third parties was completed.

Share options exercised at HK$0.166 per share during the year resulted in the issue of 18,500,000 ordinary shares of the Company.

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

Material Acquisition and Disposal of Subsidiaries
On 9 July 2005, the Company entered into the Sale and Purchase Agreement with the Vendor pursuant to which, the Vendor agreed to sell and the Company agreed to acquire (a) the entire issued share capital of Eaglefly; and (b) the Shareholder's Loan and accrued interest, if any, due from Eaglefly to the Vendor calculated up to and including the date of completion of the Sale and Purchase Agreement. Upon completion of the Sale and Purchase Agreement, Eaglefly will become a direct wholly-owned subsidiary of the Company.

The purchase consideration is HK$158,174,000 which was satisfied as to HK$24,374,000 (equivalent to US$3,145,000) by way of cash and with fair value of HK$133,800,000 by issuing 600,000,000 ordinary shares of the Company with fair value of HK$0.223 per share determined using the market price of the Company's share at the date of Acquisition of. After taking into account the professional fees incidental to the Acquisition of HK$3,224,000, the total acquisition cost amounts to HK$161,398,000.

The acquisition was completed on 19 January 2006.

Charges on Group's Assets
As at 31 March 2006, the Group's trading securities with market value of approximately HK$16,173,000 (2005: HK$11,018,000) have been pledged to secure from stock brokers loans of HK$28,802,000 (2005: HK$2,787,000) granted to its subsidiary.

Contingent Liabilities
On 21 September 1999, a former director of the Company, Mr Wong Chong Shan, commenced proceedings in the High Court against the Company claiming a sum of HK$5,000,000. Mr Wong Chong Shan alleged that he paid the said sum on the Company's behalf in August 1997 to a third party as deposit and that the Company failed to make repayment to him. The directors have considered the matter and are of the opinion that since no positive steps have been taken by Mr Wong Chong Shan to proceed with the action since June 2000, it is not necessary at this stage to make a provision in the financial statements for these proceedings.

Human Resources
As at 31 March 2006, the Group had 32 full time employees.

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 under review, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company.

Corporate Governance Practices
The audit committees of the Company (the "Audit Committees") has reviewed the final results of the Group for the year ended 31 March 2006. The Audit Committee comprises three independent non-executive directors of the Company, namely, Mr. Chow Siu Ngor, Mr. Yin Tat Man and Mr. Tam Kam Biu William.

The Company has adopted the Mode Code for Securities Transactions by Directors of listed Issuers (the "Mode Code") in appendix 10 of the Listing Rules on Stock Exchange as the code of conduct regarding securities transactions by directors. Having made specific enquiry of all directors, all directors confirmed they have complied with the required standard set out in the Model Code.

The Group has compiled with the applicable code provisions set out in the Code of Corporate Governance Practice set out in appendix 14 to the Listing Rules for the year ended 31 March 2006.

Further information on the Company's corporate governance practices is set out in the Corporate Governance Report contained in the Company's 2005/2006 Annual Report.

Publication of Results on the website of the Stock Exchange
The Company's 2005/2006 Annual Report containing all the information required by the Listing Rules will be subsequently made available on the website of the Stock Exchange in due course.

By Order of the Board
Tsang Wai Wa
Company Secretary

Hong Kong, 27 July 2006

As at the date of this announcement, the Board comprises one chairman and non-executive director, Dr. Zoltan J. Kiss, three executive directors, namely Mr. Pierre Seligman, Mr. Chu Chik Ming Jack and Mr. Chan Wai Kwong Peter and three independent non-executive directors, namely Mr. Chow Siu Ngor, Mr. Yin Tat Man and Mr. Tam Kam Biu William.