

Management Discussion and Analysis 管理層討論及分析

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.

業務回顧及前景

於回顧期內，本集團除了繼續從事兩項主要業務－策略性投資及資本市場活動，以及融資業務外，還新增了太陽能業務。太陽能業務為本集團之新投資項目，於今年一月成為本集團之一部份。

策略性投資及資本市場活動

根據新頒佈之會計準則，證券買賣的營業額重新呈列為零，而銷售證券之銷售所得款項與成本之間之影響淨額列於「按公允價值列入損益賬之金融資產之公允價值收益／按公允價值列賬之交易證券未變現虧損」，有關金額為收益約4,880,000港元（二零零五年：虧損約15,447,000港元）。有關改善是由於經濟好轉令市場信心增強，有利於本集團證券投資的表現。

融資業務

於回顧期間，此業務分部之營業額佔本集團總營業額之30.88%。隨著企業及投資活動整體擴展，融資服務之需求亦同時增加，本集團相信本集團將受惠於此等良機。儘管本集團採用審慎及保守之融資政策，保持嚴格之風險監控以保障本集團股東之利益，本集團仍審慎地作出約14,000,000港元之呆賬撥備以反映中國利率政策下產生之風險。

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.

太陽能業務

儘管於二零零六年一月方完成收購Terra Solar集團，Terra Solar集團已為本集團貢獻營業額約7,700,000港元，佔62.53%（二零零五年：不適用）。

配售新股

二零零六年三月，本公司完成向獨立投資者配售256,750,000股新股，每股作價0.59港元，集資所得款項淨額約為139,000,000港元，用作一般營運資金及未來投資之用。本公司喜見此次配股得到獨立投資者的大力支持，充分反映金融市場對本集團的投資價值及增長潛力信心十足。配售事項有利本集團擴大股東基礎並增加股份流通量。

私人配售上市認股權證

於二零零五年六月，本公司以私人配售方式發行550,000,000份上市認股權證，每單位認股權證之發行價為0.046港元，賦予權利可於二零零五年七月四日至二零零七年七月三日止期間內任何時間，以初步行使價每股0.116港元認購一股新股，合共可認購最多63,800,000港元之股份。董事認為是次配售認股權證為本集團鞏固財務狀況提供良機，並可增強其發展及把握商機的能力。所得款項淨額約24,000,000港元已用作一般營運資金及投資。

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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.

收購太陽能業務

於二零零五年七月，本公司與Multichannel Investments Limited訂立買賣協議。根據協議，本公司以總代價約161,000,000港元收購Eaglefly Technology Limited（「Eaglefly」）全部已發行股本。收購完成後，Eaglefly成為本公司之全資附屬公司。本集團亦透過Eaglefly持有Terra Solar Global Inc.及其附屬公司（「Terra Solar集團」）51%權益，藉此為本集團進軍太陽能業務奠定基礎。鑒於近期油價上漲，全球對能源需求上升，以及化石燃料儲備的價格競爭力及資源持續性減弱，本集團相信太陽能將為本集團帶來充滿活力且長遠的商機。再者，本集團深信Terra Solar集團的投資可鞏固本集團之盈利潛力及經常性收入基礎，對本集團之長遠盈利能力將帶來正面影響。

總結

與去年回顧期間的業績相比，本回顧年度的業務營運業績明顯改善，原因是本港經濟於二零零五年逐漸復甦，令金融市場之策略性投資及資本市場活動得以改善。而本集團最新投資一太陽能業亦為本集團貢獻營業額，儘管收購Terra Solar Global, Inc.（「Terra Solar」，美國私人太陽能光伏公司）的51%股份於二零零六年一月方完成。

於二零零六年五月，本公司名稱由「御泰國際控股有限公司」改稱為「華基光電能源控股有限公司」，開展本集團光伏業務的新紀元。

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.

過往五年，光伏業務平均增長超過30%。近年，矽原料嚴重短缺，導致光伏模組嚴重短缺。二零零零年，矽的價格為9美元／公斤，及至今已高至100美元／公斤。

為應付需求急增及供應不足問題，若干競爭者正轉營下一代光伏技術－薄膜。三十年來，Terra Solar及其技術員工為薄膜光伏業界的先鋒。彼等於一九八二年建立第一條薄膜非結晶矽生產線，並將其商品化。

本公司擬藉著Terra Solar於薄膜光伏科技的經驗及技術，成為低成本薄膜模組的最大供應商。第一步，本公司期望透過本公司的OEM業務模式，達到50兆瓦（百萬瓦特）的生產力。本公司的OEM夥伴將擁有及營運製造設施，以及向華基光電能源控股有限公司出售模組。此低資本開支業務模式為本集團提供龐大生產力及低財務風險。

本集團成功以適當的步伐及適當的時間，於新興市場作出投資（即Terra Solar的投資），令本集團的投資項目更為多元化。本集團相信太陽能相關業務日後會成為本集團盈利增長的新動力，增加本集團來年的盈利。

展望來年，本集團主要致力於擴展新收購的太陽能相關業務，亦會同時繼續發展現有的核心業務，務求為本公司的股東獲取最豐厚的回報。

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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.

財務回顧

業績

於截至二零零六年三月三十一日止年度，本集團營業額約為12,354,000港元（二零零五年：3,769,000港元），上升約228%。儘管太陽能業務於二零零六年一月方始完成收購，營業額上升主要歸因於太陽能業務的貢獻。

本公司權益持有人應佔虧損為95,506,000港元（二零零五年：虧損376,313,000港元）。每股基本虧損為3.32仙（二零零五年：18.05仙）。本年度，虧損是由於i)從事資本市場活動之附屬公司所作出的商譽撇銷約為47,900,000港元；ii)確認因應新會計標準而授予員工及顧問之購股權之公平值，導致本集團的人事開支增加約24,000,000港元及iii)作出約19,000,000港元呆賬撥備所致。若剔除此等因素，本年度之虧損約為6,400,000港元，較去年的業績更佳。

去年有關虧損主要由於就其他應收款項之呆賬作出撥備350,000,000港元所致。若將撥備包括在內，去年虧損為26,313,000港元。

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.

去年，該撥備為350,000,000港元，相當於出售本集團於REXCAPITAL Infrastructure Limited（「RIL」）之87.5%已發行股份權益而未能收取之代價款項。於二零零三年十月二十九日，本集團與獨立第三方Sky China Holdings Limited訂立買賣協議，以出售RIL之87.5%權益。儘管本集團多番要求，Sky China Holdings Limited仍未能全數支付款項。基於未能如期收取購買代價款項，本集團決定對呆賬採取審慎措施，因而作出撥備350,000,000港元。

流動資金、財務資源及資金

二零零六年三月三十一日，本集團流動資產淨值為179,774,000港元（二零零五年：38,042,000港元）。有關升幅是由於行使購股權、年內行使認股權證及於二零零六年三月私人配售股份令現金及現金等價物增加所致。

二零零六年三月三十一日，本集團現金及現金等價物共為147,419,000港元（二零零五年：7,841,000港元）。大部分現金儲備以港幣短期存款方式存放於香港主要銀行。

本集團以流動資產除以流動負債計算之流動資金比率為625%（二零零五年：292%），反映財政資源充裕。

本集團於二零零六年三月三十一日之債務為3,832,000港元（二零零五年：16,147,000港元）。

外匯風險

由於本集團用以交易之外匯主要為與港元掛鈎之美元，故本集團面對之外匯風險非常有限。

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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.

股本結構

於回顧年內，於二零零五年六月，本公司通過按發行價0.046港元進行私人配售，發行最多550,000,000份上市認股權證，各賦予權利於二零零五年七月四日至二零零七年七月三日期間內任何時間按初步行使價0.116港元認購一股新股，最高認購額合共為63,800,000港元。於二零零六年三月三十一日，4,850,000份認股權證已獲行使。

二零零六年一月，完成收購Eaglefly Technology Limited所有已發行股本後，本公司可以每股0.223港元之價格向Multichannel Investments Limited發行600,000,000股每股面值0.01港元之新股，作為代價股份。

二零零六年三月，本公司完成以每股0.59港元之價格向獨立第三方私人配售256,750,000股每股面值0.01港元之新股。

於本年度內，購股權以每股0.166港元之價格獲行使，致使本公司發行18,500,000股普通股。

除上文所述外，本公司於回顧年內之股本結構並無變動。

重大收購及出售附屬公司

於二零零五年七月九日，本公司與賣方訂立買賣協議，據此，賣方同意出售而本公司同意收購(a) Eaglefly全部已發行股本；及(b) Eaglefly結欠賣方之股東貸款及計至買賣協議完成當日（包括該日）之應計利息（如有）。待買賣協議完成後，Eaglefly將成為本公司之直接全資附屬公司。

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.

收購代價為158,174,000港元，其中24,374,000港元（相等於3,145,000美元）以現金支付，其餘133,800,000港元則透過使用本公司股份於收購日之市價釐定之公允價值每股0.223港元發行600,000,000股普通股支付。在計入收購之專業費用3,224,000港元後，總收購成本為161,398,000港元。

收購於二零零六年一月十九日完成。

集團資產抵押

於二零零六年三月三十一日，本集團市值約16,173,000港元（二零零五年：11,018,000港元）之交易證券已作抵押，以為其附屬公司取得股票經紀貸款28,802,000港元（二零零五年：2,787,000港元）。

或然負債

於一九九九年九月二十一日，本公司之前任董事黃創山先生於高等法院提出向本公司索償合共5,000,000港元。黃創山先生宣稱於一九九七年八月代表本公司向第三方支付該等款項作為按金，惟本公司並未向其償還該款項。董事在考慮有關事宜後，認為由於黃創山先生自二零零零年六月後並無就有關訴訟採取行動，故認為在現階段毋須就此財務報表中作出撥備。

人力資源

於二零零六年三月三十一日，本集團共有32名全職僱員。

本集團主要按個別員工之表現及經驗釐定員工薪酬。除基本薪酬外，本集團亦會按本集團業績及個別員工之表現向合資格僱員發放不定額花紅及購股權。