

To our shareholders

On behalf of the board of directors (the "Board"), I present the annual results of REXCAPITAL International Holdings Limited (the "Company") and its subsidiaries (together the "Group") for the financial year ended 31 March 2002.

2001 was a challenging year for the global economy. Europe, the US as well as Asia all suffered from flagging economic environments. With no exception to the IT industry, the Group has experienced severe competition in the persisting recession and was negatively affected during the reporting year. Nevertheless, the Group vigorously strengthened its core business and exercised stringent cost controls.

During the year, the Group recorded a turnover of approximately HK\$5,543,000 and loss attributable to shareholders of approximately HK\$364,875,000. The directors do not recommend the payment of a final dividend for the year ended 31 March 2002.

In line with an ever-changing information technology market, the Group's management has re-allocated resources to consolidate its fibre-optic networking business with potential in the People's Republic of China (the "PRC") during the past year. We expect the demand for quality fibre-optic cable network to grow exponentially in the future, as a result of foreign enterprises venturing into the PRC market. In addition, our management recognised the enormous potential for telecommunications and related value added services in the PRC upon its accession to the World Trade Organisation. As such, the Group decided to expand its business into the provision of virtual private network ("VPN") service leveraging on our existing fibre resources in Southern China with plan to expand the service to cover the Greater China Region.

With renewed strength on the corporate front, the Group is set to embark on new business development. We will continue to adopt a prudent yet proactive approach. Our main strategy is to fortify our existing lines of business and to extend our Group to new business opportunities that can broaden our revenue base. Equally important, our management will seek to improve our Group's operating efficiency and reduce our costs. In addition, we will actively seek to further diversify our business portfolio through possible strategic investments. Together with gradually improving market conditions, the management believes that the Group will bring satisfactory returns in the coming years.

Appreciation

On behalf of the Board, I would like to thank all our shareholders for their support and confidence in the Group and to thank our staff for their hard work during the year. We will continue to dedicate our efforts towards the long-term development of the Group.

Chan How Chung, Victor
Chairman

Hong Kong, 19 July 2002