

The directors submit herewith their annual report together with the audited financial statements for the year ended 31 March 2002.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities and other particulars of the subsidiaries are set out in note 33 on the financial statements.

The analyses of the principal activities and geographical locations of the operations of the Company and its subsidiaries during the financial year are set out in note 4 on the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the financial year is as follows:

	Percentage of the Group's total	
	Sales	Purchases
The largest customer	24%	
Five largest customers in aggregate	86%	
The largest supplier		24%
Five largest suppliers in aggregate		81%

At no time during the year have the directors, their associates or any shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's issued share capital) had any interest (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")) in these major customers and suppliers.

FINANCIAL STATEMENTS

The loss of the Group for the year ended 31 March 2002 and the state of the Company's and the Group's affairs as at that date are set out in the financial statements on pages 17 to 60.

The directors do not recommend the payment of any dividends in respect of the year ended 31 March 2002 (2001: HK\$Nil).

CHANGE OF COMPANY'S NAME

By a special resolution passed on 14 May 2002, the name of the Company was changed from HiNet Holdings Limited to REXCAPITAL International Holdings Limited and the Company adopted, for the purpose of identification only, 御泰國際控股有限公司 as the new Chinese name on the same date as replacement of the old Chinese name 光通數網國際控股有限公司.

FIXED ASSETS

Details of movements in fixed assets during the year are set out in note 14 on the financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in note 23 on the financial statements.

ACCUMULATED LOSSES AND RESERVES

Details of movements in accumulated losses and reserves of the Company and the Group during the year are set out in note 24 on the financial statements.

DIRECTORS

The directors of the Company during the financial year and up to the date of this report were:

Executive directors

Chan How Chung, Victor (<i>Chairman</i>)	(appointed on 17 June 2002)
Lee Huei Lin, Elizabeth	(appointed on 17 June 2002)
Chan Wai Kwong, Peter	(appointed on 8 April 2002)
Liew Swee Yean	(appointed on 19 March 2002 and resigned on 8 July 2002)
Patrick K C Wong	(resigned on 15 March 2002)
Ho Chun Wai	(resigned on 5 June 2002)

Independent non-executive directors

Chow Siu Ngor
Ting Leung Huel, Stephen
Choy Hok Man, Constance

DIRECTORS *(continued)*

In accordance with bye-law 86 of the Company's bye-laws, Miss Lee Huei Lin, Elizabeth and Mr Chan Wai Kwong, Peter retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

In accordance with bye-law 88 of the Company's bye-laws, Mr Ting Leung Huel, Stephen retires and, being eligible, offers himself for re-election at the forthcoming annual general meeting.

DIRECTORS' SERVICE CONTRACTS

The non-executive directors were appointed by the Board for a term of one year commencing on their respective dates of appointment. Their remuneration is also determined by the Board on the anniversary of the date of their appointment.

No director proposed for re-election and re-appointment at the forthcoming annual general meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance to which the Company, its holding company or any of their subsidiaries was a party, in which a director of the Company had a material interest, subsisted at the end of the year or at any time during the year.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 31 March 2002, none of the directors or chief executive had or was deemed to have any interests in any securities of the Company or any of its associated corporations as defined in the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") that are required to be recorded in the register kept by the Company pursuant to Section 29 of the SDI Ordinance, and none of the directors or chief executive, or their spouses or children under the age of 18, had any right to subscribe for the equity or debt securities of the Company during the year.

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was the Company or any of its subsidiaries, its holding company or a subsidiary of its holding company a party to any arrangement to enable the directors or chief executive or any of their spouses or children under the age of 18 to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2002, according to the register of interests required to be kept by the Company under Section 16(1) of the SDI Ordinance, the shareholders who were interested in 10% or more of the issued share capital of the Company were as follows:

Name of beneficial owner	Number of shares held	Percentage of total issued shares
Chan How Chung, Victor	2,938,880,000 <i>(Note 1)</i>	23.63%
Mega Market Assets Limited	2,710,520,000 <i>(Note 2)</i>	21.79%

Notes:

1. Of the 2,938,880,000 shares of HK\$0.01 each ("Shares") beneficially owned by Mr Chan How Chung, Victor ("Mr Chan"), 2,710,520,000 Shares were held by Mega Market Assets Limited, a company wholly-owned by Mr Chan. The remaining 228,360,000 Shares were held by two other companies. Mr Chan was taken to be interested in these 228,360,000 Shares as he was entitled to control the exercise of more than one third of the voting power at general meetings of these two companies.
2. 2,710,520,000 Shares were held by Mega Market Assets Limited, a company wholly-owned by Mr Chan. The interests disclosed herein were deemed to be the corporate interests of Mr Chan as described in Note 1 above.

Other than as disclosed above, no other person is recorded in the register as having an interest in 10% or more of the issued share capital of the Company.

SHARE OPTION SCHEME

The Company has a share option scheme which was adopted on 30 June 2000 (the "Share Option Scheme") for the primary purpose of providing incentives to the employees of the Group. Under the Share Option Scheme, the directors are authorised, at their discretion, to invite employees of the Group, including directors of any company in the Group, to take up options to subscribe for shares of the Company for a consideration of HK\$1.00 for each lot of share options granted. Options granted should be accepted within 28 days from the date of grant.

The exercise price of options was determined by the Board and was the higher of the nominal value of the shares and a price being not less than 80 per cent of the average of the closing prices of the shares on The Stock Exchange of Hong Kong Limited for the five trading days immediately preceding the date of offer. The period within which the shares must be taken up under an option shall be notified by the Board but shall not be later than 10 years from the date the option is granted. There was no minimum period for which an option must be held before it can be exercised.

SHARE OPTION SCHEME *(continued)*

The maximum number of shares in respect of which options may be granted under the Share Option Scheme and any other scheme shall, when aggregated, not exceed 10% of the issued share capital of the Company as at the date of approval of the scheme. No option may be granted to any one person which if exercised in full would result in the total number of shares already issued and issuable to him or her under the Share Option Scheme exceeding 25 per cent of the aggregate number of shares for the time being issued and issuable under the Share Option Scheme. The Share Option Scheme will expire on 30 June 2010.

At 31 March 2002, no director of the Company had any interests in options to subscribe for shares of the Company. The Company had granted on 9 August 2000 to employees of the Group options to subscribe for shares of the Company at nominal consideration under the Share Option Scheme. Each option gives the holder the right to subscribe for one share of the Company. No option was granted by the Company pursuant to the terms of the Share Option Scheme during the year ended 31 March 2002. A summary of the terms of the share options granted under the Share Option Scheme and their movements during the year are as follow:

Terms of the options granted:

Date of grant	:	9 August 2000
No. of options granted	:	29,350,000
Exercise price	:	HK\$0.25 per share (adjusted to HK\$0.125 as a result of the Capital Reorganisation <i>(Note 1)</i>)
Exercise period	:	12 July 2001 to 11 July 2005

Movement of options for the year ended 31 March 2002:

	No. of options outstanding at 13 August 2001 (effective date of the Capital Reorganisation)	No. of options cancelled after the Capital Reorganisation	No. of options outstanding at 31 March 2002	No. of options exercised during the year
Total employees	27,550,000	4,850,000	45,400,000	29,800,000
			15,600,000	Nil

(Note 1)

SHARE OPTION SCHEME *(continued)*

Movement of options for the year ended 31 March 2002 *(continued)*:

Notes:

1. Pursuant to a special resolution passed on 11 August 2001, a capital reorganisation (the "Capital Reorganisation") was effective on 13 August 2001 which involved, amongst others, the subdivision of every issued and unissued share of HK\$0.10 each in the capital of the Company into two subdivided shares of HK\$0.05 each. The number of options granted and the exercise price thereof were adjusted accordingly.
2. An open offer of 6,219,149,537 shares of HK\$0.01 each was made to the Company's shareholders at 8 May 2002, at a subscription price of HK\$0.018 per share and on the basis of one offer share for every two existing shares held on 23 April 2002. As a result of the open offer, the subscription price of the options was adjusted to HK\$0.117 per share on 23 April 2002.
3. On 6 July 2002, the Company issued a circular to the shareholders which include, inter-alia, a proposal to terminate the Share Option Scheme and adopt a new share option scheme in order to comply with recent changes to the Listing Rules with respect to share option scheme. Details of the proposed new share option scheme are set out in the circular.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Company and its subsidiaries have not purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2002.

CONNECTED TRANSACTIONS

Particulars of connected transactions of the Company and the Group as at 31 March 2002 are set out in note 29 on the financial statements.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Company and the Group as at 31 March 2002 are set out in notes 20 to 22 on the financial statements.

FIVE YEAR FINANCIAL SUMMARY

A summary of the consolidated results and of the assets and liabilities of the Group for the last five financial years is set out on page 61.

RETIREMENT BENEFIT SCHEMES

Particulars of the retirement benefit schemes of the Group are set out in note 30 on the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws in Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

CODE OF BEST PRACTICE

The Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the year ended 31 March 2002.

AUDIT COMMITTEE

In compliance with the revised Code of Best Practice as set out in Appendix 14 of the Listing Rules, the Company operates an Audit Committee (the "Committee") with written terms of reference, for the purpose of reviewing and providing supervision on the financial reporting process and internal control of the Group. The Committee comprises two independent non-executive directors.

AUDITORS

The Company's auditors KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming annual general meeting.

By order of the Board
Chan How Chung, Victor
Chairman

Hong Kong, 19 July 2002