

The directors of the Company submit herewith their annual report together with the audited financial statements for the year ended 31 March 2003.

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 35 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 3 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	17%	
Five largest customers in aggregate	46%	
The largest supplier		42%
Five largest suppliers in aggregate		98%

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 (the "Listing Rules")) in these major customers and suppliers.

FINANCIAL STATEMENTS

The profit of the Group for the year ended 31 March 2003 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 20 to 58.

The directors of the Company do not recommend the payment of any dividends in respect of the year ended 31 March 2003 (2002: 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 13 on the financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in note 24 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 25 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	(resigned on 8 July 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, Mr Chan How Chung, Victor retires and, being eligible, offer himself for re-election at the forthcoming annual general meeting.

In accordance with bye-law 88 of the Company's bye-laws, Ms Choy Hok Man, Constance retires and, being eligible, offers herself 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

Details of the directors' interests in contracts are set out in note 30 on the financial statements.

Save as disclosed above, no other contract of significance to which the 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 SHARES AND DEBENTURES

As at 31 March 2003, the following director had interests in shares and debentures of the Company that are required to be recorded in the register kept by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"):

(a) Ordinary shares of HK\$0.01 each ("Shares")

Name of director	Number of Shares held	Nature of interest
Chan How Chung, Victor ("Mr Chan")	387,679,510 (Note a)	Corporate interest

Note a: Of the 387,679,510 Shares beneficially owned by Mr Chan, 258,052,510 Shares were held by Mega Market Assets Limited, a company wholly-owned by Mr Chan. The remaining 129,627,000 Shares were held by three other companies. Mr Chan was taken to be interested in these 129,627,000 Shares as he was entitled to control the exercise of more than one third of the voting power at general meetings of these three companies.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES AND DEBENTURES *(continued)*

(b) 2 year 2% convertible notes issued on 13 December 2002 ("2% Notes")

Name of director	Amount of the outstanding		Nature of interest
		2% Notes held	
Mr Chan		HK\$62,000,000 <i>(Note b)</i>	Corporate interest

Note b: The 2% Notes were held by a company controlled by Mr Chan. Mr Chan was taken to be interested in the 2% Notes as he was entitled to control the exercise of more than one third of the voting power at general meetings of that company.

Save as disclosed above, none of the directors or chief executive, nor their associates, had or was deemed to have any interests in any securities of the Company or any of its associated corporations as defined in 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, or had exercised any such right during the year.

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was the Company or any of its subsidiaries 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 SHAREHOLDER

As at 31 March 2003, according to the register of interests required to be kept by the Company under Section 16(1) of the SDI Ordinance, the shareholder who was interested in 10% or more of the issued share capital of the Company was as follows:

Name of shareholder	Number of Shares held	Percentage of total issued Shares
Mega Market Assets Limited	258,052,510 <i>(Note)</i>	19.73%

Note: Mega Market Assets Limited is wholly-owned by Mr Chan, a director and the Chairman of the Company.

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 OPTIONS

The Company had a share option scheme which was adopted on 30 June 2000 (the "2000 Scheme"). By an ordinary resolution passed on the special general meeting held on 29 July 2002, the operation of the 2000 Scheme was terminated and a new share option scheme (the "2002 Scheme") was adopted.

The following is a summary of the principal terms of these two share option schemes:

The 2000 Scheme

The primary purpose of the 2000 Scheme is to provide incentives to the employees of the Group. Under the 2000 Scheme, the directors of the Company 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 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.

The maximum number of shares in respect of which options may be granted under the 2000 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 2000 Scheme exceeding 25 per cent of the aggregate number of shares for the time being issued and issuable under the 2000 Scheme. The 2000 Scheme would originally expire on 30 June 2010.

SHARE OPTIONS *(continued)*

By an ordinary resolution passed on 29 July 2002, the operation of the 2000 Scheme was terminated. Upon termination of the 2000 Scheme, all the then outstanding options lapsed as the relevant grantees have unconditionally and irrevocably consent to waive their exercise rights previously granted by the Company. No option was granted by the Company pursuant to the terms of the 2000 Scheme during the period from 1 April 2002 to the date of termination of the 2000 Scheme. The movements in share options granted under the 2000 Scheme during the year and up to the date of termination are shown below:

	Number of options outstanding at 1 April 2002	Exercise price as adjusted by the Open Offer <i>(Note)</i>	Exercisable period	Number of options outstanding as adjusted by the Open Offer <i>(Note)</i>	Number of options lapsed during the year	Number of options outstanding at the date of termination	Number of options exercised during the year
Total employees	15,600,000	HK\$0.117	12 July 2001 to 11 July 2005	16,666,664	16,666,664	Nil	Nil

Note: An open offer of 6,219,149,537 shares of HK\$0.01 each (the "Open Offer") 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 and the number of options outstanding was adjusted accordingly.

The 2002 Scheme

The purpose of the 2002 Scheme is to enable the Company to grant options to employees, executives or officers of the Company or any of its subsidiaries and other persons who have made a contribution to the Group as incentives and/or rewards for their contributions to the Company or its subsidiaries.

According to the 2002 Scheme, the Board may grant options to the eligible participants as defined in the 2002 Scheme to subscribe for such number of shares as the Board may determine. Options granted should be accepted within 30 days from the date of offer. Upon acceptance of the options, the grantee shall pay HK\$1.00 to the Company by way of consideration for the grant.

The exercise price of options shall be determined by the Board, save that such price will not be less than the highest of (a) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; (b) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of grant, and (c) the nominal value of a share.

SHARE OPTIONS *(continued)*

The 2002 Scheme *(continued)*

The maximum number of shares which may be issued upon exercise of all options to be granted under the 2002 Scheme and any other share option scheme(s) of the Company (excluding the 2000 Scheme) must not exceed 10% of the issued share capital of the Company on the date of approval and adoption of the 2002 Scheme provided that the Company may at any time seek approval from its shareholders to refresh the limit to 10% of the shares in issue as at the date of approval by the shareholders in general meeting where such limit is refreshed. Options previously granted under any share option schemes of the Company (including those outstanding, cancelled, lapsed in accordance with such schemes or exercised options) will not be counted for the purpose of calculating the limit as refreshed.

The total number of shares issued and which may fall to be issued upon exercise of the options granted under the 2002 Scheme and any other share option scheme(s) of the Company (including exercised and outstanding options) to each eligible participant in any 12-month period up to the date of grant shall not exceed 1% of the shares in issue as at the date of grant. Options granted to substantial shareholders or independent non-executive directors or their respective associates (as defined in the Listing Rules) in excess of 0.1% of the Company's issued share capital on the date of grant or with a value in excess of HK\$5 million must be approved in advance by the Company's shareholders.

The period during which an option may be exercised will be determined by the Board at its absolute discretion, save that no options can be exercised more than 10 years after it has been granted. There is no general requirement that an option must be held for any minimum period before it can be exercised. The 2002 Scheme will expire on 29 July 2012.

No options have been granted under the 2002 Scheme during the year ended 31 March 2003. At 31 March 2003, no director of the Company had any interests in options to subscribe for shares of the Company.

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 2003.

CONNECTED TRANSACTIONS

Particulars of connected transactions of the Company and the Group during the year ended 31 March 2003 are set out in note 30 on the financial statements. Other than as disclosed therein, there was no other connected transaction of the Company and the Group during the year ended 31 March 2003.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Company and the Group as at 31 March 2003 are set out in notes 20 to 23 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 59.

RETIREMENT BENEFIT SCHEMES

Particulars of the retirement benefit schemes of the Group are set out in note 31 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 2003.

AUDIT COMMITTEE

In compliance with the 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

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, 25 July 2003