

REPORT OF THE DIRECTORS

The directors of Vantage International (Holdings) Limited (the “Company”) herein present their first report and the audited financial statements of the Company and its subsidiaries (hereinafter collectively referred to as the “Group”) for the period from 21 June 2000 (date of incorporation of the Company) to 31 March 2001. The Company had no significant transactions (other than the issuance of the initial share capital as disclosed in note 27) until 17 August 2000, when it acquired Profit Chain Investments Limited, as detailed in note 1 to the financial statements.

GROUP REORGANISATION

The Company was incorporated as an exempted company with limited liability in Bermuda on 21 June 2000 under the Companies Act 1981 of Bermuda (as amended).

On 17 August 2000, the Group underwent a reorganisation to rationalise its structure in preparation for the listing of the Company’s shares on the main board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). Further details of the reorganisation are disclosed in note 27 to the financial statements and the Company’s prospectus dated 29 August 2000.

The shares of the Company have been listed on the main board of the Stock Exchange since 8 September 2000.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 15 to the financial statements. There were no changes in the nature of the Group’s principal activities during the year ended 31 March 2001.

SEGMENTAL INFORMATION

The operations of the Group are all carried out in Hong Kong and the profit from operating activities for the two years ended 31 March 2001 was derived from construction, renovation and other contracting works. Accordingly, an analysis of turnover and contribution to profit from operating activities by activity and geographical segment is not presented.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 March 2001 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 23 to 57.

The directors recommend the payment of a final dividend of HK6.5 cents per ordinary share in respect of the year ended 31 March 2001 to shareholders on the register of members on 20 July 2001. This recommendation has been incorporated in the financial statements.

BONUS ISSUE OF SHARES

The directors recommend a bonus issue of shares of the Company (the “Bonus Shares”) of HK\$0.10 each, credited as fully paid by way of capitalisation of the Company’s share premium account, on the basis of one Bonus Share for every five existing ordinary shares held by the shareholders on the register of members of the Company on 20 July 2001. The Bonus Shares to be issued will rank pari passu with the existing ordinary shares except that they will not rank for the proposed final dividend in respect of the year ended 31 March 2001.

FINANCIAL SUMMARY

A summary of the published results and of the assets and liabilities of the Group is set out on pages 58 and 59 of the annual report.

FIXED ASSETS AND INVESTMENT PROPERTIES

Details of movements in the fixed assets and investment properties of the Group are set out in note 14 to the financial statements.

SUBSIDIARIES AND JOINTLY-CONTROLLED ENTITIES

Particulars of the Company's principal subsidiaries and the Group's interests in jointly-controlled entities are set out in notes 15 and 16 respectively to the financial statements.

MAJOR PROPERTIES

Details of the properties of the Group as at 31 March 2001 are set out on page 60 of the annual report.

BANK LOANS AND OTHER BORROWINGS

Details of bank loans and other borrowings of the Group are set out in notes 24 and 25 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the share capital and share options of the Company during the period from 21 June 2000 (date of incorporation of the Company) to 31 March 2001, together with the reasons therefor, are set out in note 27 to the financial statements.

RESERVES

Details of movements in the reserves of the Company and the Group are set out in note 28 to the financial statements.

DISTRIBUTABLE RESERVES

As at 31 March 2001, the Company's reserves available for distribution, calculated in accordance with the Companies Act 1981 of Bermuda (as amended), amounted to approximately HK\$64,060,000. In addition, the Company's share premium account, in the amount of approximately HK\$6,842,000 as at 31 March 2001, may be distributed in the form of fully paid bonus shares.

PRE-EMPTIVE RIGHTS

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

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CHARITABLE CONTRIBUTIONS

During the year ended 31 March 2001, the Group made charitable contributions of approximately HK\$30,000.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 March 2001, contract revenue earned from the Group's five largest customers accounted for approximately 96% of the total contract revenue for the year and contract revenue earned from the largest customer included therein accounted for approximately 45% thereof.

Subcontracting charges from the Group's five largest suppliers accounted for approximately 47% of the total contract costs for the year and subcontracting charges from the largest supplier included therein accounted for approximately 20% thereof.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or five largest suppliers.

DIRECTORS

The directors of the Company during the period from 21 June 2000 (date of incorporation of the Company) to 31 March 2001 were:

Executive directors:

Mr. Ngai Chun Hung (<i>Chairman</i>)	(appointed on 11 July 2000)
Mr. Yau Kwok Fai (<i>Deputy Chairman</i>)	(appointed on 11 July 2000)
Mr. Shek Yu Ming, Joseph	(appointed on 11 July 2000)

Independent non-executive directors:

Professor Ko Jan Ming	(appointed on 11 July 2000)
Mr. Ip Kwok Him, JP	(appointed on 11 July 2000)

In accordance with the Company's bye-laws, Mr. Yau Kwok Fai shall retire by rotation at the forthcoming annual general meeting and, being eligible, offer himself for re-election at the forthcoming annual general meeting. The independent non-executive directors are appointed for an initial period of 2 years commencing from 1 September 2000 which may be extended as agreed between the respective directors and the Company.

DIRECTORS AND SENIOR MANAGEMENT BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 13 to 15 of the annual report.

EMOLUMENTS OF DIRECTORS AND THE FIVE HIGHEST PAID EMPLOYEES

Details of the directors' emoluments and of the five highest paid employees in the Group are set out in notes 8 and 9 to the financial statements respectively.

DIRECTORS' SERVICE CONTRACTS

Each of the executive directors has entered into a service contract with the Company for an initial period of three years commencing from 1 September 2000 and shall continue thereafter unless terminated in accordance with the terms of the service contracts.

Apart from the foregoing, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No director of the Company had a material interest in any contract of significance to the business of the Group to which the Company, its holding company or any of its subsidiaries was a party during the period from 21 June 2000 (date of incorporation of the Company) to 31 March 2001.

DIRECTORS' INTERESTS IN SHARES

As at 31 March 2001, the interests of the directors and the chief executive in the share capital of the Company or its associated corporations as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:

Name of director	Notes	Nature of interests	Number of ordinary shares
Mr. Ngai Chun Hung ("Mr. Ngai")	1	Others	102,278,000
Mr. Yau Kwok Fai ("Mr. Yau")	2	Corporate	6,435,000

Notes:

1. These shares are legally and beneficially owned by Winhale Limited ("Winhale"), which is a company incorporated in the British Virgin Islands with limited liability and is ultimately beneficially owned by the Xyston Trust. The Xyston Trust is a discretionary family trust set up by Mr. Ngai for the benefits of Mr. Ngai and his family members.
2. These shares are legally and beneficially owned by Business Success Limited, the entire issued share capital of which is legally and beneficially wholly-owned by Mr. Yau.

In addition to the above, certain directors have non-beneficial personal equity interests in certain subsidiaries held for the benefit of the Group solely for the purpose of complying with the minimum company membership requirements of the Hong Kong Companies Ordinance. Certain directors also have beneficial interests in non-voting deferred shares practically carrying no rights to dividends or to receive notice of or to attend or vote at any general meeting or to participate in any distribution or winding up in a subsidiary.

Save as disclosed above, as at 31 March 2001, none of the directors or the chief executive of the Company or their respective spouse or children under 18 years of age had any interests in the equity or debt securities of the Company or any of its associated corporations which were required to be notified to the Company and the Stock Exchange pursuant to Section 28 of the SDI Ordinance (including interests which they were deemed or taken to have under Section 31 or Part I of the Schedule to the SDI Ordinance) or to the Model Code or which were required, pursuant to Section 29 of the SDI Ordinance, to be entered in the register referred to therein.

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DIRECTORS' RIGHTS TO ACQUIRE SHARES

Pursuant to the Company's share option scheme, the directors may, at their discretion, grant options to executive directors or employees of the Group to subscribe for shares in the Company. Details of the share option scheme are set out in note 27 to the financial statements.

Other than in connection with the Group reorganisation in preparation for the listing of the Company's shares on the Stock Exchange, at no time during the period from 21 June 2000 (date of incorporation of the Company) to 31 March 2001 was the Company, its holding company or any of its subsidiaries a party to any arrangements to enable the Company's directors, their respective spouse, or children under 18 years of age 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 2001, the following interests of 10% or more of the share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance:

Name of shareholder	Number of ordinary shares held	Percentage of issued share capital
Winhale Limited	102,278,000	63.92%
HKSCC Nominees Limited	50,937,000	31.84%

Note: The above interest in the name of Winhale Limited was also disclosed as interests of Mr. Ngai under the heading "Directors' interests in shares".

Save as disclosed above, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests in shares" above, had registered an interest in the share capital of the Company that was required to be recorded pursuant to Section 16(1) of the SDI Ordinance.

CONNECTED TRANSACTIONS

Connected transactions required to be disclosed in accordance with Chapter 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") during the year ended 31 March 2001 included the subcontracting construction fees amounting to approximately HK\$1,779,000 paid to close family members of Mr. Ngai Chun Hung, the Chairman of the Company (the "Subcontracting Arrangements").

The independent non-executive directors of the Company have reviewed the terms of the Subcontracting Arrangements and confirmed that:

- (a) the Subcontracting Arrangements were entered into by the Group in the ordinary and usual course of its business and on normal commercial terms;
- (b) the Subcontracting Arrangements were entered into on terms that are fair and reasonable so far as the shareholders of the Company are concerned; and
- (c) the amount of the Subcontracting Arrangements for the year ended 31 March 2001 did not exceed the upper limit of 5% of the turnover of the Group for the year ended 31 March 2001.

CONNECTED TRANSACTIONS *(Continued)*

Details of other related party transactions of the Group for the year ended 31 March 2001 are set out in note 32 to the financial statements.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

Other than in connection with the Company's initial public offering of its shares, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period from 21 June 2000 (date of incorporation of the Company) to 31 March 2001.

POST BALANCE SHEET EVENT

Details of the significant post balance sheet event of the Group are set out in note 33 to the financial statements.

PENSION SCHEME

Details of the pension scheme of the Group and the employer's pension costs charged to the profit and loss account for the year ended 31 March 2001 are set out in notes 3 and 6 to the financial statements respectively.

CODE OF BEST PRACTICE

In the opinion of the directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the period from 8 September 2000 (date of listing of the Company's shares on the Stock Exchange) to the date of this report.

The Company established an audit committee (the "Committee") on 8 September 2000 with written terms of reference for the purpose of reviewing and providing supervision of the financial reporting process and internal controls of the Group. The Committee comprises the two independent non-executive directors of the Company.

AUDITORS

During the year, Ernst & Young were appointed as the first auditors of the Company. Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Ngai Chun Hung
Chairman

Hong Kong
14 June 2001