

## Report of the Directors

The Directors are pleased to present their report together with the audited financial statements of the Company and the Group for the year ended 31st March, 2001.

### PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its major subsidiaries are contracting of building construction, maintenance and decoration projects in Hong Kong. In addition, the Group is engaged in other activities which include plumbing contracts and the manufacture and supply of building materials.

The Group's turnover and gross profit for the year ended 31st March, 2001, which were derived principally from the contracting of building construction, maintenance and decoration projects carried out in Hong Kong, are as follows:

	<b>Turnover</b> <i>HK\$'000</i>	<b>Contribution to Group's results</b> <i>HK\$'000</i>
Contracting of building construction, maintenance and decoration projects	1,713,508	142,673
Sale of building materials	56,066	20,027
Others	11,767	2,305
	<u>1,781,341</u>	<u>165,005</u>

### RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st March, 2001 are set out in the consolidated income statement on page 25.

The Directors declared an interim dividend on 18th December, 2000 of HK1.6 cents (2000 – nil) per Consolidated Share, totalling HK\$7,083,938 (2000 – nil), which was paid on 16th March, 2001. Consolidation of the Company's shares occurred on 18th October, 2000 and is described more fully in Note 18(b) to the financial statements.

The Directors recommend the payment of a final dividend of HK1.4 cents (2000 – HK2.8 cents) per Consolidated Share, totalling HK\$6,173,294 (2000 – HK\$12,396,891), for the year ended 31st March, 2001.

Subject to shareholders' approval at the forthcoming Annual General Meeting, the final dividend will be payable on or about 19th September, 2001 to the shareholders whose names appear on the register of members at the close of business on 17th August, 2001.

## Report of the Directors

### CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 13th August, 2001 to 17th August, 2001, both days inclusive, during which period no transfer of shares will be effected.

In order to qualify for the proposed final dividend, all share transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Central Registration Hong Kong Limited on 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:00 p.m. on 10th August, 2001.

### FIVE YEAR FINANCIAL SUMMARY

A summary of the Group's consolidated results for each of the last five years ended 31st March, 2001 and the consolidated assets and liabilities as at 31st March of each of the respective years is set out on page 64.

### SUBSIDIARIES AND ASSOCIATES

Particulars regarding the Company's principal subsidiaries and associates are set out in Notes 13 and 14 respectively to the financial statements.

### CHARITABLE DONATIONS

Charitable donations made by the Group during the year totaled HK\$71,275 (2000 – HK\$61,900).

### FIXED ASSETS

Movements in fixed assets of the Group during the year are set out in Note 9 to the financial statements.

### SHARE CAPITAL AND SHARE PREMIUM

Details of the movement in share capital and share premium of the Group and the Company are set out in Notes 18 and 19 respectively to the financial statements.

### PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's by-laws and the laws in Bermuda.

## Report of the Directors

### MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31st March, 2001, turnover attributable to the Group's five largest customers and the largest customer amounted to 96% and 64% of the total turnover, respectively. Purchases attributable to the Group's five largest suppliers and the largest supplier amounted to 9% and 2% of the total purchases, respectively.

None of the Directors, their associates, or any shareholders who, to the knowledge of the Directors, own more than 5% of the Company's share capital has a beneficial interest in the Group's top five customers or suppliers.

### DIRECTORS

The Directors who held office during the year and up to the date of this report are as follows:

#### Executive Directors

Mr. Wong Ip Kuen (*Chairman*)  
Mr. Wong Tin Cheung (*Vice Chairman*)  
Mr. Sun Chun Wai  
Mr. So Yau Chi

#### Independent non-executive Directors

Dr. Yeung Tsun Man, Eric  
Mr. Wu King Cheong  
Mr. Chan, Bernard Charnwut (Appointed on 5th June, 2000)

In accordance with the Company's bye-laws, Mr. So Yau Chi and Mr. Chan, Bernard Charnwut will retire by rotation and, being eligible, offer themselves for re-election.

## Report of the Directors

### PURCHASE, SALE OR REDEMPTION OF SHARES

Date of purchase	Number of shares purchased	Price per share		Total cash paid (Including related expenses) HK\$'000
		Highest price paid	Lowest price paid	
20th October, 2000	197,500	0.335	0.300	64
23rd October, 2000	293,500	0.340	0.330	99
24th October, 2000	461,500	0.350	0.340	161
27th October, 2000	400,000	0.350	0.340	139
7th November, 2000	48,000	0.340	0.330	16
8th November, 2000	140,000	0.340	0.330	48
16th November, 2000	256,000	0.340	0.325	87
	<u>1,796,500</u>			<u>614</u>

### SHARE OPTION SCHEMES AND DIRECTORS' RIGHTS TO ACQUIRE SHARES

The Company has the following share option schemes (as described in the paragraph below) under which the Company may grant options to Directors and employees of the Group to subscribe for shares in the Company. Details of the share option schemes are set out in Note 18(c) to the financial statements.

On 25th August, 1997, pursuant to the 1991 Share Option Scheme, the Directors were granted options to subscribe for a number of shares of HK\$0.05 each in the Company. Options to subscribe for a total of 28,000,000 shares of HK\$0.05 each were outstanding as at 31st March, 2001. As a result of the consolidation of shares as mentioned in Note 18(b) to the financial statements, the number of shares granted under the 1991 Share Option Scheme were adjusted to 7,000,000 shares of HK\$0.2 each. The subscription price is the higher of 80% of the average closing price of the shares of the Company on the Stock Exchange of Hong Kong Limited on the five trading days immediately preceding the date of grant of the option and the nominal value of the shares. The above Directors have not exercised any of their options during the year. Details of the options granted to the Directors are as follows:

Name	Date of grant	Number of shares of options granted
Mr. Wong Ip Kuen	25th August, 1997	3,000,000
Mr. Wong Tin Cheung	25th August, 1997	2,750,000
Mr. Sun Chun Wai	25th August, 1997	375,000
Mr. So Yau Chi	25th August, 1997	375,000
Dr. Yeung Tsun Man, Eric	25th August, 1997	250,000
Mr. Wu King Cheong	25th August, 1997	250,000

## Report of the Directors

### SHARE OPTION SCHEMES AND DIRECTORS' RIGHTS TO ACQUIRE SHARES *(Continued)*

Save as otherwise disclosed in this report, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Company's Directors or members of its management to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

On 17th October, 2000, the Company adopted a new share option scheme (the "2000 Share Option Scheme") which replaced the 1991 Share Option Scheme mentioned above. Upon adoption of the 2000 Share Option Scheme, no further options will be granted under the 1991 Share Option Scheme but in all other respects, the provisions of the 1991 Share Option Scheme shall remain in full force and effect in respect of options which have been granted prior to the adoption of the 2000 Share Option Scheme and which shall continue to be exercisable in accordance with their terms of issue.

Under the 2000 Share Option Scheme, the Board of Directors of the Company may, at their absolute discretion, offer to any Director or employee of the Company or any of its subsidiaries options to subscribe for shares in the Company. Subject to adjustment as a result of any alteration in the capital structure of the Company, the subscription price is the higher of 80% of the average closing price of the shares of the Company on the Stock Exchange of Hong Kong Limited on the five trading days immediately preceding the date of grant of the option and the nominal value of the shares. The maximum number of shares in respect of which options may be granted under the 2000 Share Option Scheme is such number of shares, which, when aggregated with shares subject to any other similar scheme of the Company, represents 10% of the issued share capital of the Company from time to time. The 2000 Share Option Scheme remains in force for a period of 10 years. As at 31st March, 2001, no share options were granted under the 2000 Share Option Scheme.

In addition, VHSoft Technologies Company Limited ("VHSoft"), a wholly owned subsidiary of the Group, adopted a share option scheme on 17th October, 2000 (the "VHSoft Share Option Scheme"). Under the VHSoft Share Option Scheme, the Board of Directors of the Company may, at their absolute discretion, offer to any Director or employee of VHSoft options to subscribe for shares in VHSoft in accordance with the terms of the VHSoft Share Option Scheme. Subject to adjustment as a result of any alteration in the capital structure of VHSoft, the subscription price is not less than the nominal value of the shares of VHSoft. The maximum number of shares in respect of which options may be granted under the VHSoft Share Option Scheme is such number of shares, which, when aggregated with shares subject to any other similar scheme of VHSoft, represents 10% of the issued share capital of VHSoft from time to time. The VHSoft Share Option Scheme remains in force for a period of 5 years or expires on the date on which an application for the initial public offering of the shares of VHSoft on an international recognised stock exchange is submitted, whichever is earlier. As at 31st March, 2001, no share options were granted under the VHSoft Share Option Scheme.

### DIRECTORS' SERVICE AGREEMENTS

None of the Directors has a service contract with the Group which cannot be terminated within one year without payment of compensation (other than statutory compensation).

## Report of the Directors

### DIRECTORS' INTERESTS

As at 31st March, 2001, the following Director had or was deemed to have interests under the provisions of the Securities (Disclosure of Interests) Ordinance (Chapter 396 of the Laws of Hong Kong) (the "SDI Ordinance") in the Company or any associated corporations thereof (within the meaning of the SDI Ordinance) of which the Company and the Stock Exchange of Hong Kong Limited had to be notified pursuant to Section 28 of the SDI Ordinance (including interests which the Director is deemed or taken to have under Section 31 or Part I of the Schedule of the SDI Ordinance) and which were required to be entered into the register kept by the Company pursuant to Section 29 of the SDI Ordinance:

Director	Company	Number of shares interested
Mr. Wong Ip Kuen	Yau Lee Holdings Limited	223,617,599

*Note:*

The 223,617,599 shares of the Company referred to above are registered in the name of All Fine Investment Company Limited. Mr. Wong Ip Kuen owns the entire issued share capital of All Fine Holdings Company Limited, which owns the entire issued share capital of All Fine Investment Company Limited, both of which are companies incorporated in the Cook Islands. Mr. Wong Ip Kuen is a director of both All Fine Holdings Company Limited and All Fine Investment Company Limited.

During the year ended 31st March, 2001, no right to subscribe for equity of the Company was exercised by any of the Directors or chief executives of the Company or the spouses or children under 18 years of age of such Directors and chief executives.

Save as otherwise disclosed in this report, none of the Directors or chief executives or their associates had any other interests (whether beneficial or non-beneficial) in the share capital of the Company or any other associated corporations as defined in the SDI Ordinance as at 31st March, 2001.

### SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31st March, 2001, the following persons (other than the Directors or chief executives of the Company) had or were deemed to have interests in the Company under the provisions of the SDI Ordinance which have been entered into the register kept by the Company under Section 16(1) of the SDI Ordinance:

Substantial shareholders	Number of shares interested
All Fine Investment Company Limited ( <i>see Note above</i> )	223,617,599
All Fine Holdings Company Limited ( <i>see Note above</i> )	223,617,599



## Report of the Directors

### DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance to which the Company or any of its subsidiaries was a party and in which any of the Directors had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

### MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year.

### CODE OF BEST PRACTICE

None of the Directors is aware of information that would reasonably indicate that the Company is not, or was not in any part of the year, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of the Stock Exchange of Hong Kong Limited throughout the year.

### AUDITORS

The financial statements have been audited by Arthur Andersen & Co. A resolution for their reappointment as auditors for the ensuing year is to be proposed at the forthcoming annual general meeting.

On behalf of the Board

**Wong Ip Kuen**

*Chairman*

Hong Kong,  
17th July, 2001