

Report of the Directors

The Directors submit their report together with the audited accounts of the Company and the Group for the year ended 31st March 2005.

Principal Activities and Geographical Analysis of Operations

The principal activity of the Company is investment holding. The activities of the Company's principal subsidiaries are contracting of building construction, plumbing, maintenance and fitting-out projects and property leasing in Hong Kong. In addition, the Group is engaged in other activities which include the manufacture and supply of building materials.

The Group's turnover and operating profit for the year ended 31st March 2005 are analysed as follows:

	Turnover <i>HK\$'000</i>	Operating profit/(loss) <i>HK\$'000</i>
Contracting of building construction, plumbing, maintenance and fitting-out projects	1,291,309	23,985
Property leasing	7,903	54,062
Others	56,371	(8,980)
	1,355,583	69,067

Results and Appropriations

The results of the Group for the year are set out in the consolidated profit and loss account on page 24.

The Directors have declared an interim dividend of HK\$0.0035 per share, totaling approximately HK\$1,544,000 which was paid on 7th March 2005.

The Directors recommend the payment of a final dividend of HK\$0.0075 per share, totaling approximately HK\$3,307,000.

Reserves

Movements in the reserves of the Group and the Company during the year are set out in Note 27 to the accounts.

Donations

Charitable and other donations made by the Group during the year amounted to approximately HK\$45,000.

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Property, Plant and Equipment

Details of the movements in property, plant and equipment of the Group are set out in Note 11 to the accounts.

Principal Properties

Details of the principal properties held for investment purposes are set out on page 74.

Distributable Reserves

At 31st March 2005, the reserves of the Company available for distribution amounted to approximately HK\$143,641,000 (2004: HK\$151,490,000).

Share Capital

Details of the share capital of the Company are set out in Note 26 to the accounts.

Pre-emptive Rights

There is no provision for pre-emptive rights under the Company's bye-laws and there is no restriction against such rights under the laws of Bermuda.

Five Year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 73.

Purchase, Sale or Redemption of Shares

There was no purchase, sale or redemption of the Company's shares by the Company or any of its subsidiaries during the year ended 31st March 2005.

Share Option Schemes and Directors' Rights to Acquire Shares

Since 17th October 2000, the Company has operated a share option scheme (the "Share Option Scheme") under which the Company may grant options to Directors and employees of the Group to subscribe for shares in the Company. At 31st March 2005, no share options have been granted under the Share Option Scheme.

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Share Option Schemes and Directors' Rights to Acquire Shares *(Continued)*

A summary of the details of the Share Option Scheme are as follows:

Purpose of the scheme	:	To retain qualified and skilled employees to contribute to the development of the Group
Participants	:	Full-time employees (including Executive Directors of the Company and any of its subsidiaries)
Total number of shares of the Company available for issue and the percentage of the issued share capital that it represents at the date of annual report	:	44,094,960 shares (10% of the issued share capital of the Company)
Maximum entitlement of each participant	:	Shall not exceed 25% of the aggregate number of shares subject to the Share Option Scheme at the time of the proposed grant of that option
Period within which the securities must be taken up under an option	:	One year after the date of grant and no later than ten years from the date of adoption of the Share Option Scheme
Minimum period for which an option must be held before it can be exercised	:	Not applicable
Period within which payments/calls/loan must be made/repaid	:	Not applicable
Basis of determining the exercise price	:	80% of the average closing price of the Company's shares as stated in the daily quotation sheets issued by the Stock Exchange of Hong Kong Limited (the "SEHK") for the five business days immediately preceding the date of offer or the nominal value of the shares, whichever is higher
The remaining life of the share option scheme	:	The scheme remains in force for a period of 10 years until 16th October 2010

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Share Option Schemes and Directors' Rights to Acquire Shares *(Continued)*

In addition, VHSoft Technologies Company Limited ("VHSoft"), a wholly owned subsidiary of the Group, has operated a share option scheme effective on 17th October 2000 (the "VHSoft Share Option Scheme"). Under the VHSoft Share Option Scheme, the board of directors of VHSoft 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. At 31st March 2005, no share options have been granted under the VHSoft Share Option Scheme.

A summary of the details of the VHSoft Share Option Scheme are as follows:

Purpose of the scheme	: To retain qualified and skilled employees to contribute to the development of VHSoft
Participants	: Directors and full-time employees of VHSoft
Total number of ordinary shares of VHSoft available for issue and the percentage of the issued share capital that it represents at the date of annual report	: 10% of the issued share capital of VHSoft
Maximum entitlement of each participant	: Shall not exceed 25% of the aggregate number of shares subject to the VHSoft Share Option Scheme at the time of the proposed grant of that option
Period within which the securities must be taken up under an option	: No later than five years from the date of adoption of the VHSoft Share Option Scheme
Minimum period for which an option must be held before it can be exercised	: Not applicable
Period within which payments/calls/loan must be made/repaid	: Not applicable
Basis of determining the exercise price	: Not less than the nominal value of the shares of VHSoft
The remaining life of the share option scheme	: The scheme remains in force for a period of five years until 16th October 2005 or expires on the date on which application for the initial public offering of the shares of VHSoft on an international recognised stock exchange is submitted, whichever is earlier

Save as otherwise disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangement 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.

Directors

The Directors during the year were:

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

In accordance with the Company's bye-laws, Mr. Sun Chun Wai and Mr. Chan, Bernard Charnwut retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

Directors' Service Contracts

None of the Directors who are proposed for re-election at the forthcoming Annual General Meeting has a service contract with the Group which is not determinable by the employer within one year without payment of compensation, other than statutory compensation.

Directors' Interests in Contracts

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

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Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or any Associated Corporation

At 31st March 2005, the interests of each Director and chief executive in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company under Section 352 of the SFO or as notified to the Company and the SEHK pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

Shares of HK\$0.2 each in the Company

Director	Number of shares held	
	Corporate interest	Percentage
Mr. Wong Ip Kuen	230,679,599	52.3%

The 230,679,599 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, none of the Directors and chief executives (including their spouses and children under 18 years of age) had any interest in, or had been granted, or exercised, any rights to subscribe for shares or debentures of the Company and its associated corporations (within the meaning of the SFO).

At no time during the year was the Company, its subsidiaries or, its associated companies a party to any arrangement to enable the Directors and chief executives of the Company to hold any interests or short positions in the shares or underlying shares in, or debentures of, the Company or its associated corporation.

Substantial Shareholders' Interests and Short Positions in Shares, Underlying Shares of the Company

At 31st March 2005, the register of substantial shareholders maintained under Section 336 of the SFO shows that the Company had not been notified of any substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital, other than those of the Directors and chief executives as disclosed above.

Management Contracts

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

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Major Customers and Suppliers

The percentages of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

Purchases

– the largest supplier	6.91%
– five largest suppliers	18.18%

Sales

– the largest customer	44.41%
– five largest customers	96.49%

None of the Directors, their associates, or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above.

Connected Transactions

No significant related party transactions were entered into by the Group during the year ended 31st March 2005.

Compliance with the Code of Best Practice of the Listing Rules

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 (in force prior to 1st January 2005) throughout the year ended 31st March 2005.

During the year, the Company continued to comply with the Code of Best Practice as set out in Appendix 14 of the Listing Rules issued by the SEHK. On 1st January 2005, the Code of Best Practice was replaced by the Code on Corporate Governance Practices (the "new Code"). Listed issuers are expected to comply with the new Code's provisions starting from 1st January 2005.

Adoption of Code of Conduct Regarding Directors' Securities Transactions

The Company has adopted a code of conduct regarding Directors' securities transactions in accordance with terms set out in the Model Code of Appendix 10 of the Listing Rules. The Directors have complied with such code of conduct throughout the year covered by this Annual Report.

Audit Committee

The written terms of reference which describe the authority and duties of the Audit Committee were prepared and adopted with reference to "A Guide for The Formation of An Audit Committee" published by the Hong Kong Institute of Certified Public Accountants.

The Audit Committee provides an important link between the Board and the Company's auditors in matters coming within the scope of the group audit. It also reviews the effectiveness of external audit and of internal controls and risk evaluation. The Committee comprises three Independent Non-Executive Directors, namely Dr. Yeung Tsun Man, Eric (committee chairman), Mr. Wu King Cheong and Mr. Chan, Bernard Charnwut. Two meetings were held during the current financial year. The accounts for the year ended 31st March 2005 has been reviewed by the audit committee.

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Remuneration Committee and Nomination Committee

Remuneration Committee and Nomination Committee have been set up in April 2005 and are chaired by Mr. Chan, Bernard Charnwut and Mr. Wu King Cheong respectively. Both Mr. Chan and Mr. Wu are Independent Non-Executive Directors of the Company.

Auditors

The accounts have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Wong Ip Kuen

Chairman

Hong Kong, 21st July 2005