

The Directors present their annual report and the audited financial statements for the year ended 31st March, 2002.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its principal subsidiaries, associates and jointly controlled entities are set out in notes 50, 18 and 19 to the financial statements respectively.

An analysis of the Group's turnover and profit for the year by business activity and geographical market is set out in note 5 to the financial statements.

CUSTOMERS AND SUPPLIERS

For the year ended 31st March, 2002, the five largest customers of the Group together accounted for approximately 75% of the Group's turnover, with the largest customer accounted for 20%, and the five largest suppliers of the Group together represented less than 13% by value of the Group's total purchases.

None of the Directors, or any of their associates, or any shareholders which, to the knowledge of the Directors owned more than 5% of the Company's share capital, had any beneficial interests in the Group's five largest customers as mentioned in the preceding paragraph.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st March, 2002 are set out in the consolidated income statement on page 31.

The Directors recommended the payment of a final dividend of 1 cent per share payable to shareholders whose names appear in the Register of Members of the Company on 18th September, 2002 amounting to approximately HK\$7,751,000 and recommended that profit for the year of approximately HK\$92,929,000 to be retained.

RESERVES

Movements in the reserves of the Group and the Company for the year are set out in note 40 to the financial statements.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 98.

PROPERTY, PLANT AND EQUIPMENT

The Group spent an amount of HK\$7,291,000 on new plant and machinery, an amount of HK\$1,942,000 on land and buildings and an amount of HK\$1,501,000 on new vessels during the year.

Details of movements in the property, plant and equipment of the Group are set out in note 15 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the share capital and share options of the Company are set out in notes 38 and 39 to the financial statements respectively.

CONNECTED TRANSACTIONS

As disclosed in the circular dated 5th June, 2001 issued by the Company to the shareholders, the following connected transactions have been continuing after the disposal of Ngo Kee Construction Company Limited ("Ngo Kee") to NWS CON Limited ("NWS"), a subsidiary of a substantial shareholder of the Company:

- (i) the building/construction sub-contracting works (the "Sub-contracting Arrangements") which are currently undertaken by the Group in respect of which the main contractor is NWS or its associates including Ngo Kee;
- (ii) the continued use of the office premises and related office infrastructural facilities between Zen Pacific Construction Limited, a subsidiary of the Company, and Ngo Kee (the "Office Licence");
- (iii) the provision of computer data storage and computer system repair and maintenance services (the "MIS Services"); and
- (iv) the general consultancy services provided by the Group to Ngo Kee (the "General Consultancy Services") ((i) to (iv) collectively the "Connected Transactions").

CONNECTED TRANSACTIONS (Cont'd)

The amounts received or receivable for the Connected Transactions since 27th September, 2001 when the Company deconsolidated the financial statements of Ngo Kee are as follows:

| | <i>HK\$'000</i> |
|------------------------------|-------------------|
| Income received from: | |
| Sub-contracting Arrangements | 3,605 |
| Office Licence | 1,019 |
| MIS Services | 66 |
| General Consultancy Services | 750 |
| | <u> </u> |

The Stock Exchange of Hong Kong Limited (the "Stock Exchange") has granted a conditional waiver dated 13th August, 2001 (the "Waiver") to the Company from strict compliance with the shareholders' approval and disclosure requirements under Rules 14.26 and 14.25(1) of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") in respect of the Sub-contracting Arrangements and under Rule 15.25(1) of the Listing Rules in respect of the Office Licence, the MIS Services and the General Consultancy Services.

The independent non-executive directors of the Company have reviewed the Sub-contracting Arrangements, the Office Licence, the MIS Services and the General Consultancy Services and confirmed that the Sub-contracting Arrangements have been conducted in the manner as stated in the paragraph 1 of the Waiver and the terms of the Office Licence, the MIS Services and the General Consultancy Services have not varied since 27th September, 2001.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

Executive Directors:

Zen Wei Pao, William (*Chairman*)

Zen Wei Peu, Derek (*Vice Chairman*)

Yue Pak Lim

Fong Shiu Leung, Keter

Yu Sai Yen (retired on 11th September, 2001)

Non-executive Directors:

Lam Wai Hon, Patrick

Cheng Chi Pang, Leslie

Independent Non-executive Directors:

Wong Che Ming, Steve

Wan Siu Kau, Samuel (appointed on 11th September, 2001)

Tse Sze Wing, Edmund (retired on 11th September, 2001)

In accordance with Bye-laws 86 and 87 of the Company's Bye-laws, Zen Wei Peu, Derek, Fong Shiu Leung, Keter, Wong Che Ming, Steve and Wan Siu Kau, Samuel shall retire from office at the forthcoming annual general meeting, and being eligible, offer themselves for re-election. All other remaining directors continue in office.

None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

The Independent Non-executive Directors have been appointed for a term subject to retirement by rotation as required by the Company's Bye-laws.

DIRECTORS' INTERESTS IN SECURITIES

At 31st March, 2002, the interests of the Directors of the Company in the shares and warrants of the Company and its associated corporations within the meaning of Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

| Name of Director | The Company | | Road King Infrastructure Limited | | | | Wai Kee (Zens) | Wai Luen Stone Products Limited |
|----------------------|---|---------------------|---|---------------------|----------------------------------|---------------------|---|---|
| | Number of ordinary shares held under | | Number of ordinary shares held under | | Number of warrants held under | | Number of non-voting deferred shares held under | Number of non-voting deferred shares held under |
| | personal interests | family interests | personal interests | family interests | personal interests | family interests | personal interests | personal interests |
| Zen Wei Pao, William | 187,381,843 | Nil | Nil | Nil | Nil | Nil | 2,000,000 | 30,000 |
| Zen Wei Peu, Derek | 157,951,078 | Nil | 1,206,645 | Nil | 241,329 | Nil | 2,000,000 | 30,000 |
| Wong Che Ming, Steve | 600,000 | Nil | Nil | Nil | Nil | Nil | Nil | Nil |

Save as aforesaid, none of the Directors or their associates had any interests in any securities of the Company or any of its associated corporations as defined under the SDI Ordinance as at 31st March, 2002.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director 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.

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

- (i) Pursuant to the Company's share option scheme adopted on 7th August, 1992, the directors of the Company may, at their discretion, invite employees of the Company and its subsidiaries, including the directors of the Company, to take up options to subscribe for shares of the Company at a price not less than 80 per cent. of the average closing price of the shares on the Stock Exchange on the five trading days immediately preceding the date of offer of the option or the nominal value of a share, whichever is the higher. The maximum number of shares in respect of which options may be granted under the scheme may not exceed 10% of the issued capital of the Company, excluding any shares issued pursuant to the scheme from time to time. An option may be exercised at any time after one year from the date on which the option is deemed to be granted and accepted and prior to expiry of four years from that date.

During the year, 850,000 options expired, 4,210,000 options were cancelled and 1,110,000 options were exercised.

A summary of the movement during the year in share options granted is as follows:

| Name | Date granted | Vesting period | Exercisable period | Exercise price HK\$ | Number of share options | | | | | |
|------------------------|---------------------|----------------|--|------------------------|-------------------------|-------------------------|---------------------------|-----------------------------------|----------------------|--|
| | | | | | Balance at 1.4.2001 | Granted during the year | Exercised during the year | Expired/cancelled during the year | Balance at 31.3.2002 | |
| Directors | | | | | | | | | | |
| Zen Wei Pao, William | 29th November, 2000 | 3 years | 29th November, 2001 to 28th November, 2004 | 0.34 | 5,000,000 | — | — | — | 5,000,000 | |
| Zen Wei Peu, Derek | 29th November, 2000 | 3 years | 29th November, 2001 to 28th November, 2004 | 0.34 | 5,000,000 | — | — | — | 5,000,000 | |
| Yue Pak Lim | 29th November, 2000 | 3 years | 29th November, 2001 to 28th November, 2004 | 0.34 | 1,000,000 | — | — | — | 1,000,000 | |
| Fong Shiu Leung, Keter | 29th November, 2000 | 3 years | 29th November, 2001 to 28th November, 2004 | 0.34 | 1,000,000 | — | — | — | 1,000,000 | |
| Lam Wai Hon, Patrick | 29th November, 2000 | 3 years | 29th November, 2001 to 28th November, 2004 | 0.34 | 500,000 | — | — | — | 500,000 | |
| Cheng Chi Pang, Leslie | 29th November, 2000 | 3 years | 29th November, 2001 to 28th November, 2004 | 0.34 | 500,000 | — | — | — | 500,000 | |
| Wong Che Ming, Steve | 29th November, 2000 | 3 years | 29th November, 2001 to 28th November, 2004 | 0.34 | 500,000 | — | — | — | 500,000 | |
| Tse Sze Wing, Edmund | 29th November, 2000 | 3 years | 29th November, 2001 to 28th November, 2004 | 0.34 | 500,000 | — | — | (500,000) | — | |
| Sub-total | | | | | 14,000,000 | — | — | (500,000) | 13,500,000 | |

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES (Cont'd)

| Name | Date granted | Vesting period | Exercisable period | Exercise price HK\$ | Balance at 1.4.2001 | Number of share options | | | Balance at 31.3.2002 |
|------------------|---------------------|----------------|---|------------------------|------------------------|----------------------------|------------------------------|--|-------------------------|
| | | | | | | Granted during the year | Exercised during the year | Expired/ cancelled during the year | |
| Others | | | | | | | | | |
| Employees | 12th November, 1997 | 3 years | 12th November, 1998 to 11th November, 2001 | 1.30 | 100,000 | — | — | (100,000) | — |
| | 1st December, 1997 | 3 years | 12th December, 1998 to 11th December, 2001 | 1.30 | 800,000 | — | — | (800,000) | — |
| | 9th November, 1998 | 3 years | 9th November, 1999 to 8th November, 2002 | 0.96 | 150,000 | — | — | (100,000) | 50,000 |
| | 11th November, 1999 | 3 years | 1st December, 2000 to 30th November, 2003 | 1.28 | 750,000 | — | — | (50,000) | 700,000 |
| | 29th November, 2000 | 3 years | 29th November, 2001 to 28th November, 2004 | 0.34 | 12,290,000 | — | (1,110,000) | (3,510,000) | 7,670,000 |
| Sub-total | | | | | 14,090,000 | — | (1,110,000) | (4,560,000) | 8,420,000 |
| Total | | | | | 28,090,000 | — | (1,110,000) | (5,060,000) | 21,920,000 |

Directors' Report

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES (Cont'd)

(ii) During the year, the following Directors of the Company had personal interests in share options to subscribe for shares in Road King Infrastructure Limited ("Road King"), an associate of the Company:

| Name | Date granted | Vesting period | Exercisable period | Exercise price HK\$ | Number of share options | | | | Balance at 31.3.2002 |
|---------------------------|------------------|----------------|---|------------------------|-------------------------|----------------------------|------------------------------|--|-------------------------|
| | | | | | Balance at 1.4.2001 | Granted during the year | Exercised during the year | Expired/ cancelled during the year | |
| Directors | | | | | | | | | |
| Zen Wei Pao, William | 2nd August, 1999 | 2 years | 2nd August, 2000 to 1st August, 2002 | 5.60 | 719,000 | — | — | — | 719,000 |
| | 2nd August, 1999 | 2 years | 2nd August, 2000 to 1st August, 2002 | 4.95 | 550,000 | — | — | — | 550,000 |
| | 8th August, 2000 | 2 years | 8th August, 2001 to 7th August, 2003 | 3.20 | 2,900,000 | — | — | — | 2,900,000 |
| Zen Wei Peu, Derek | 2nd August, 1999 | 2 years | 2nd August, 2000 to 1st August, 2002 | 5.60 | 539,000 | — | — | — | 539,000 |
| | 2nd August, 1999 | 2 years | 2nd August, 2000 to 1st August, 2002 | 4.95 | 250,000 | — | — | — | 250,000 |
| | 8th August, 2000 | 2 years | 8th August, 2001 to 7th August, 2003 | 3.20 | 1,500,000 | — | — | — | 1,500,000 |
| Fong Shiu Leung, Keter | 8th August, 2000 | 2 years | 8th August, 2001 to 7th August, 2003 | 3.20 | 320,000 | — | — | — | 320,000 |
| Total | | | | | 6,778,000 | — | — | — | 6,778,000 |

Save as aforesaid, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or Chief Executives of the Company, or their spouses or children under the age of 18, had any rights to subscribe for the securities of the Company, or had exercised any such right during the year.

SUBSTANTIAL SHAREHOLDERS

The register of substantial shareholders maintained by the Company pursuant to section 16(1) of the SDI Ordinance showed the following shareholders as having an interest of 10% or more in the issued share capital of the Company as at 31st March, 2002:

| Name | Number of shares held |
|--|-----------------------|
| Vast Earn Group Limited | 128,000,000 |
| New World Services Limited (incorporated in the British Virgin Islands) (note 1) | 128,000,000 |
| New World Services Limited (incorporated in the Cayman Islands) (note 2) | 128,000,000 |
| Citiplus Investment Limited (note 3) | 128,000,000 |
| New World Development Company Limited (note 4) | 128,000,000 |
| Chow Tai Fook Enterprises Limited (note 5) | 128,000,000 |

Notes:

- (1) Vast Earn Group Limited is a wholly-owned subsidiary of New World Services Limited (incorporated in the British Virgin Islands). By virtue of the SDI Ordinance, New World Services Limited was deemed to be interested in the shares of the Company.
- (2) New World Services Limited (incorporated in the British Virgin Islands) is a wholly-owned subsidiary of New World Services Limited (incorporated in the Cayman Islands). By virtue of the SDI Ordinance, New World Services Limited (incorporated in the Cayman Islands) was deemed to be interested in the shares of the Company.
- (3) Citiplus Investment Limited holds about 51% of the issued share capital of New World Services Limited (incorporated in the Cayman Islands). By virtue of the SDI Ordinance, Citiplus Investment Limited was deemed to be interested in the shares of the Company.
- (4) Citiplus Investment Limited is a wholly-owned subsidiary of New World Development Company Limited. By virtue of the SDI Ordinance, New World Development Company Limited was deemed to be interested in the shares of the Company.
- (5) Chow Tai Fook Enterprises Limited holds more than one-third of the issued capital of New World Development Company Limited. By virtue of the SDI Ordinance, Chow Tai Fook Enterprises Limited was deemed to be interested in the shares of the Company.

Other than the information disclosed above and the interests disclosed under the heading "Directors' Interests in Securities", the Company has not been notified of any other interests representing 10% or more of the Company's issued share capital as at 31st March, 2002.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

PRE-EMPTIVE RIGHTS

There are no provisions for 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.

DONATIONS

During the year, the Group made charitable and other donations amounting to HK\$232,385.

CODE OF BEST PRACTICE

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

PRACTICE NOTE 19 OF THE LISTING RULES

Due to substantial reduction of guarantees given by the Company for the benefit of the Company's affiliated companies during the year, the aggregate financial assistance to and guarantees given by the Company as at 31st March, 2002 fell within the de minimis exemption under Practice Note 19 of the Listing Rules. As such, there is no disclosure required to be made by the Company.

AUDITORS

A resolution will be proposed at the forthcoming annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as Auditors of the Company.

On behalf of the Board
Zen Wei Pao, William
Chairman

22nd July, 2002