

Directors' Report

The Directors present the annual report and the audited financial statements for the year ended 31 December 2004.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 41 to the financial statements.

RESTRUCTURING

Details of the restructuring are set out in note 2 to the financial statements.

INCOMPLETE BOOKS AND RECORDS

In light of the incomplete books and records maintained by the Group prior to the completion of the restructuring, the Directors were unable to identify all material factors underlying the Group's results and financial position until the completion of the restructuring on 23 April 2004.

CHANGE OF COMPANY NAME AND FINANCIAL YEAR END DATE

Upon the completion of the restructuring on 23 April 2004, the Group became the construction flagship of Wai Kee. Pursuant to a resolution on 23 July 2004, the Company's name was changed to Build King Holdings Limited to better reflect its new business direction.

In addition, pursuant to a resolution passed on 19 May 2004, the Company's financial year end date was also changed from 31 March to 31 December to align with that of Wai Kee.

SHARE CONSOLIDATION

As a resolution on 23 July 2004, every ten ordinary shares of HK\$0.01 each in the issued and unissued ordinary share capital of the Company were consolidated into one consolidated shares of HK\$0.10 ("Shares"). With effect from 26 July 2004, the Shares have been trading in board lots of 10,000 units. The consolidation increases the nominal value and trading price of the Shares on the Stock Exchange, and which can attract more investors, thereby extending the Company's shareholders base.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2004, the five largest customers of the Group together accounted for approximately 88.20% of the Group's turnover, with the largest customer accounted for 56.41%, and the five largest suppliers of the Group together represented less than 17.44% 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 31 December 2004 are set out in the consolidated income statement on page 31.

Apart from the dividend as mentioned in note 3 to the financial statements, the Board does not recommend the payment of dividend for the year ended 31 December 2004.

SEGMENTAL INFORMATION

Details of the segmental information are set out in note 6 to the financial statements.

RESERVES

Movement in the reserves of the Group and the Company for the year is set out in the consolidated statement of changes in equity on page 35 to the financial statements.

FINANCIAL SUMMARY

A summary of the results and of assets and liabilities of the Group for the past five financial years is set out on page 77.

PROPERTY, PLANT AND EQUIPMENT

Details of movement in property, plant and equipment of the Group are set out in note 14 to the financial statements.

PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 December 2004 are set out in note 41 to the financial statements.

SHARE CAPITAL

Details of the Company's share capital are set out in note 30 to the financial statements.

RETIREMENT BENEFITS SCHEME

Details of the Company's retirement benefits scheme are set out in note 39 to the financial statements.

Directors' Report

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

Following the completion of the restructuring on 23 April 2004, the following old directors of the Company were removed:

Old Executive Director

Choi Siu Lui, Shirley (*Chairman and Chief Executive Officer*)

Choi Sung Fung, Norman (*Deputy Chairman*)

Ou Yirong

Cheung Wing Hung, Vincent

Old Independent Non-Executive Director

Lau Kin Hon, Ronald

The following Directors of the Company were appointed and up to the date of this report are:

Executive Directors

Zen Wei Peu, Derek (*Chairman*) (appointed on 23 April 2004)

Yu Sai Yen (*Vice Chairman*) (appointed on 23 April 2004)

Non-executive Directors

David Howard Gem (appointed on 9 August 2004)

Cheng Chi Pang, Leslie (appointed on 9 August 2004)

Independent Non-executive Directors

Chow Ming Kuen, Joseph (appointed on 23 April 2004)

Ng Chi Ming, James (appointed on 23 April 2004)

Ho Tai Wai, David (appointed on 8 September 2004)

Details of the Directors are set out in the section of Directors and Senior Management.

In accordance with Bye-law 94 of the Company's Bye-laws, Mr. David Howard Gem, Dr. Cheng Chi Pang, Leslie, and Mr. Ho Tai Wai, David shall retire from office at the forthcoming annual general meeting, and being eligible, offer themselves for re-election.

In accordance with Bye-law 111 of the Company's Bye-laws, Mr. Yu Sai Yen shall retire by rotation at the forthcoming annual general meeting, and being eligible, offer himself for re-election.

Each of Messrs. Zen Wei Peu, Derek and Yu Sai Yen has entered into a service contract with the Company for a term of three years commencing on 1 May 2004.

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

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 Company has received from each Independent Non-executive Director an annual confirmation of his independence in respect of the period from each of his appointment to 31 December 2004, pursuant to Rule 3.13 of the Rules Governing the Listing of Securities ("Listing Rules") on the Stock Exchange. The Company considers all the Independent Non-executive Directors to be independent.

THE BOARD

The Board comprises seven members. Three of them are Independent Non-executive Directors and are of professionals with backgrounds in construction, management, financial and accounting fields. All the Board members have extensive experience and knowledge in corporate management making significant contributions to the Company's strategic decision. The diverse background of the Board members ensures that they fully represent the interests of all the shareholders.

The Board holds four regular meetings per year and additional meetings would be arranged if any when required. From the date of the completion of the restructuring to the date of this report, there were seven meetings held by the Company and the attendance record of the Board members are as follow:

	Attendance(%)
Executive Directors:	
Zen Wei Peu, Derek	100%
Yu Sai Yen	100%
Non-executive Directors:	
David Howard Gem	40% (5 meetings during his term)
Cheng Chi Pang, Leslie	100% (5 meetings during his term)
Independent Non-executive Directors:	
Chow Ming Kuen, Joseph	100%
Ng Chi Ming, James	71%
Ho Tai Wai, David	100% (4 meetings during his term)

Directors' Report

DIRECTORS' INTERESTS

As at 31 December 2004, the interests (including short positions) of the Directors and chief executive of the Company (including their respective spouses, infant children, related trusts and companies controlled by them) in the Shares, convertible securities, warrants, options or derivatives in respect of securities which carry voting rights of the Company and its associated corporations (within the meaning of the Securities & Futures Ordinance ("SFO")), which require notification pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short position in which any such director or chief executive is taken or deemed to have under such provisions of the SFO) or which were required to be entered in the register kept by the Company pursuant to section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange, pursuant to the Model Code for Securities Transactions by Directors of Listing Companies in the Listing Rules, were as follows:

The Company

Name of Director	Capacity/ Nature of interest	Number of Shares held		Percentage of shareholding (%)
		Long position	Short position	
Zen Wei Peu, Derek	Personal	69,715,421 (Note)	–	8.92
Yu Sai Yen	Personal	16,666,000	–	2.13
David Howard Gem	Personal	140,000	–	0.02
Cheng Chi Pang, Leslie	Personal	140,000	–	0.02

Note: The number of Shares taken to be interested or have a long position by Mr. Zen Wei Peu, Derek includes (i) 49,715,421 Shares and (ii) the purchasing right granted to him to purchase 20,000,000 Shares pursuant to the Staff Share Purchasing Scheme adopted by Wai Kee on 15 March 2004.

Associated corporations

Name of Director	Name of company	Capacity/ Nature of interest	Number of Shares held		Percentage of shareholding (%)
			Long position	Short position	
Zen Wei Peu, Derek	Wai Kee	Personal	185,057,078 (Note 1)	–	23.33
	WKC&T	Personal	2,000,000 (Note 2)	–	10.00
	Wai Luen Stone Products Limited	Personal	30,000 (Note 3)	–	37.50
David Howard Gem	Wai Kee	Personal	500,000 (Note 4)	–	0.06
	Kier Hong Kong Limited	Corporate	75,000 (Note 5)	–	1.50
Cheng Chi Pang, Leslie	Wai Kee	Personal	500,000 (Note 6)	–	0.06

Notes:

- The number of shares taken to be interested or have a long position by Mr. Zen Wei Peu, Derek is 185,057,078 ordinary shares of HK\$0.10 each in the capital of Wai Kee.
- The number of shares taken to be interested or have a long position by Mr. Zen Wei Peu, Derek is 2,000,000 non-voting deferred shares of HK\$1.00 each in the capital of WKC&T, a wholly owned subsidiary of the Company.
- The number of shares taken to be interested or have a long position by Mr. Zen Wei Peu, Derek is 30,000 non-voting deferred shares of HK\$10.00 each in the capital of Wai Luen Stone Products Limited, a wholly owned subsidiary of Wai Kee.
- The number of shares taken to be interested or have a long position by Mr. David Howard Gem is 500,000 ordinary shares of HK\$0.10 each in the capital of Wai Kee.
- The number of shares taken to be interested or have a long position by Mr. David Howard Gem is 75,000 ordinary shares of £1.00 each in the capital of Kier Hong Kong Limited through his 100% interest in Transoceanic Ventures Limited.
- The number of shares taken to be interested or have a long position by Dr. Cheng Chi Pang, Leslie is 500,000 ordinary shares of HK\$0.10 each in the capital of Wai Kee.

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Save as disclosed above, as at 31 December 2004, none of the Directors or chief executive of the Company had any interests or short positions in any equity or debt securities of the Company or any associated corporations (within the meaning of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions in which any such director or chief executive is taken or deemed to have under such provisions of the SFO) or which were required to be entered in the register kept by the Company pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange.

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 of the Company to acquire benefits by means of the acquisition of shares in, or debenture of, the Company or of any other body corporate.

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.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Mr. David Howard Gem holds 1.5% interest in Kier Hong Kong Limited, a company incorporated in the United Kingdom, the principal activity of which is civil engineering, construction and building in Hong Kong.

Save as disclosed above, none of the Directors and their respective associates have any interests in a business, which competes or may compete with the business of the Group.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2004, so far as was known to the Directors or the chief executive of the Company, the following person (other than a Director or chief executive of the Company) had an interest or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of substantial Shareholder	Capacity/Nature of interest	Number of Shares held in the Company and percentage of shareholding			
		Long position		Short position	
		Number of Shares	%	Number of Shares	%
Top Horizon Holdings Limited ("Top Horizon") (Note 1(a))	Personal/ Beneficiary	592,421,270 (Notes 1 and 2)	75.81	79,450,000 (Note 4)	10.17
Wai Kee (Zens) Holding Limited ("Wai Kee (Zens)") (Note 1(b))	Personal/ Beneficiary	5	0.00	–	–
	Corporate	592,421,270 (Notes 1 and 3)	75.81	79,450,000 (Note 4)	10.17
Wai Kee (Note 1(c))	Corporate	592,421,275 (Notes 1 and 3)	75.81	79,450,000 (Note 4)	10.17
Vast Earn Group Limited (Note 1(d))	Personal/ Beneficiary	59,883,040 (Note 1)	7.66	–	–
NWS Service Management Limited (incorporated in the British Virgin Islands) (Note 1(e))	Corporate	59,883,040 (Note 1)	7.66	–	–
NWS Service Management Limited (incorporated in the Cayman Islands) (Note 1(f))	Corporate	59,883,040 (Note 1)	7.66	–	–
NWS Holdings Limited (Note 1(g))	Corporate	59,883,040 (Note 1)	7.66	–	–
New World Development Company Limited (Note 1(h))	Corporate	59,883,040 (Note 1)	7.66	–	–
Chow Tai Fook Enterprises Limited (Note 1(i))	Corporate	59,883,040 (Note 1)	7.66	–	–

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Notes:

- I. Long position in the Shares
 - (a) Top Horizon is a direct wholly owned subsidiary of Wai Kee (Zens).
 - (b) Wai Kee (Zens) is deemed to be interested in the Shares through its interests in Top Horizon.
 - (c) Wai Kee (Zens) is a direct wholly owned subsidiary of Wai Kee. Accordingly, Wai Kee is deemed to be interested in the Shares through its interests in its wholly owned subsidiaries, namely Wai Kee (Zens) and Top Horizon.
 - (d) Vast Earn Group Limited is a wholly owned subsidiary of NWS Service Management Limited (incorporated in the British Virgin Islands).
 - (e) NWS Service Management Limited (incorporated in the British Virgin Islands) is deemed to be interested in the Shares through its interests in its wholly owned subsidiary, namely Vast Earn Group Limited.
 - (f) NWS Service Management Limited (incorporated in the Cayman Islands) is deemed to be interested in the Shares through its interests in its wholly owned subsidiaries, namely NWS Service Management Limited (incorporated in the British Virgin Islands) and Vast Earn Group Limited.
 - (g) NWS Holdings Limited is deemed to be interested in the Shares through its interests in its wholly owned subsidiaries, namely NWS Service Management Limited (incorporated in the Cayman Islands), NWS Service Management Limited (incorporated in the British Virgin Islands) and Vast Earn Group Limited.
 - (h) New World Development Company Limited is deemed to be interested in the Shares through its interests in more than one-third of the issued share capital of NWS Holdings Limited.
 - (i) Chow Tai Fook Enterprises Limited is deemed to be interested in the Shares through its interests in more than one-third of the issued share capital of New World Development Company Limited.

2. The number of Shares taken to be interested or to have a long position by Top Horizon includes (i) 422,421,270 Shares; (ii) derivative of 1,500,000,000 convertible preference shares in the capital of the Company, which can be convertible into 150,000,000 Shares pursuant to the terms of issue of convertible preference shares; and (iii) a creditors put option whereby the creditors of the Company and/or the scheme administrator may, at their sole direction, sell all or part of 20,000,000 Shares to Wai Kee at a price of HK\$0.10 per Share exercisable within 90 days after the expiry of two years following completion of the Scheme of Arrangement (as defined in the circular dated 24 February 2004).

3. The number of Shares taken to be interested or to have a long position by Wai Kee (Zens) and Wai Kee includes (i) 422,421,275 Shares; (ii) derivative of 1,500,000,000 convertible preference shares in the capital of the Company, which can be convertible into 150,000,000 Shares pursuant to the terms of issue of convertible preference share; and (iii) a creditors put option whereby the creditors of the Company and/or the scheme administrators may, at their sole discretion, sell all or part of 20,000,000 Shares to Wai Kee at a price of HK\$0.10 per Share exercisable within 90 days after the expiry of two years following completion of the Scheme of Arrangement.
4. The number of Shares taken to be interested or to have a short position by Top Horizon, Wai Kee (Zens) and Wai Kee is 79,450,000 Shares. Pursuant to the Staff Share Purchasing Scheme (the "Scheme") adopted by Wai Kee on 15 March 2004, 79,450,000 purchasing rights granted to eligible participants as defined in the Scheme for the acquisition of 79,450,000 Shares remained outstanding.

Save as disclosed above, no other person (other than Directors or chief executives of the Company) has an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

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

Apart from the issue of new shares as set in note 2 to the financial statements, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2004.

DISCLOSURE PURSUANT TO RULES 13.16 AND 13.22 OF THE LISTING RULES

- (1) As at 31 December 2004, financial assistance to and guarantees given for the benefit of the Company's affiliated companies by the Group together amounted in aggregate to approximately HK\$75,627,000 representing approximately 19.45% of the Group's total assets of HK\$388,846,000 (being the Group's total assets of HK\$411,046,000 as at 31 December 2004, adjusted for the aggregate of distribution declared prior to the group restructuring as set out in note 3 to the financial statements and preference share dividend for the year ended 31 December 2004 amounting to approximately HK\$22,200,000 pursuant to Rule 14.16(1) of the Listing Rules) and approximately 47.91% of the Company's market capitalization of approximately HK\$157,845,516 as at 31 December 2004 (the "Market Capitalization"). The Market Capitalization was based on the total number of 781,408,494 Shares in issue as at 31 December 2004 and the average closing price of HK\$0.202 per Share as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding 31 December 2004.

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- (2) Details of the financial assistance to and guarantee given for the benefit of the Company affiliated companies as at 31 December 2004 are as follows:

Affiliated Companies	Attributable interest held by the Group	Guarantees given for facilities	Loan granted to affiliated companies	Total	Loan maturity date
		utilised by affiliated companies (Note 1) HK\$'000	(Note 2) HK\$'000		
Barclay Mowlem-Zen Pacific – China Civil Joint Venture	35.00%	–	18	18	on demand
Dragages (HK) Joint Venture	14.00%	–	1,828	1,828	on demand
Dragages – Zen Pacific Joint Venture	25.00%	–	108	108	on demand
Hong Kong Landfill Restoration Group Limited	23.00%	–	490	490	on demand
Kier Hong Kong Limited (“Kier”)	49.50%	35,000	22,606	57,606	27 April, 2006
Kier Joint Venture	24.75%	10,000	–	10,000	–
Kier/Zen Pacific Joint Venture	50.00%	4,370	–	4,370	on demand
China State-Zen Pacific Joint Venture	30.00%	–	170	170	on demand
Kong On Waste Management Limited	50.00%	–	197	197	on demand
Zen-Pacific - Shui On Joint Venture (C518)	50.00%	–	840	840	on demand
		49,370	26,257	75,627	

Notes:

1. The guarantees given represent the relevant amount of guarantees provided by the Group to secure bank facilities and a retention bond issued by a financial institution on behalf of the respective affiliated companies.
2. Shareholders' loans to affiliated companies were funded by internal resources and/or bank borrowings of the Group. The shareholders' loans to affiliated companies were unsecured, interest free and are repayable on demand except for a shareholder's loan to Kier amounting to HK\$20,000,000 which bears interest at best lending rate quoted by The Hongkong and Shanghai Banking Corporation Limited.

There is no committed capital injection to the affiliated companies by the Group.

- (3) The proforma combined balance sheet of the Company's aforesaid affiliated companies as at 31 December 2004, which were prepared based on their adjusted financial statements prepared in accordance with the accounting principles generally accepted by the Hong Kong for the year ended 31 December 2004, is as follows:

	HK\$'000
Non-current assets	84,797
Current assets	1,040,469
Current liabilities	(1,100,922)
Non-current liabilities	<u>(23,342)</u>
Net Assets	<u><u>1,002</u></u>

Saved as disclosed above, the Company does not have other disclosure obligations under Rules 13.16 and 13.22 of the Listing Rules.

DISCLOSURE PURSUANT TO RULES 13.13, 13.15 AND 13.20 OF THE LISTING RULES

As at 31 December 2004, trade receivables from Hong Kong Special Administrative Region Government (the "Trade Receivables"), which are unsecured, interest-free and with credit terms of approximately 60 days upon certification and approximately one year after completion of projects resulted from the ordinary and normal course of business of the Group, amounted to approximately HK\$30.32 million representing approximately 19.21% of the Company's Market Capitalization as at 31 December 2004.

Saved as disclosed above, the Company does not have other disclosure obligations under Rules 13.13, 13.15 and 13.20 of the Listing Rules.

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DISCLOSURE PURSUANT TO RULES 13.18 AND 13.21 OF THE LISTING RULES

The Company was granted a term loan facility of HK\$40,000,000 (the "Facility") pursuant to a facility letter from an independent bank dated 22 July 2004. The Company accepted the terms of the facility letter on 3 August 2004. The full sum of the Facility will be repaid by six half-yearly instalments commencing eighteen months after the date of drawdown of the Facility.

For so long as the Facility is made available to the Company, Wai Kee and Mr. Zen Wei Peu, Derek ("Mr. Zen"), are required to undertake to maintain their joint shareholding in the Company at not less than 50% of the total issued share capital of the Company. Wai Kee is the controlling shareholder of the Company. Mr. Zen is a Director of the Company. Accordingly, this disclosure is made pursuant to Rules 13.18 and 13.21 of the Listing Rules.

Save as disclosed above, the Company does not have other disclosed obligations under Rules 13.18 and 13.21 of the Listing Rules.

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\$178,000.

AUDIT COMMITTEE

Upon the completion of the restructuring, the Company re-established an Audit Committee with reference to "A Guide for the Formation of an Audit Committee" issued by the Hong Kong Institute of Certified Public Accountants. The Audit Committee comprising three Independent Non-executive Directors meets at least twice a year to review and discuss with the management and external auditors the accounting principles and policies adopted by the Group, the general scope of audit work conducted by the external auditors and assessment of the Group's internal controls.

Since the re-establishment to the date of this report, the Audit Committee held three meetings and the attendance record of the Audit Committee members are as follows:

Audit Committee members	Attendance (%)
Ng Chi Ming, James	100%
Chow Ming Kuen, Joseph	100%
Ho Tai Wai, David	100% (2 meetings during his term)

REMUNERATION COMMITTEE

The Remuneration Committee established on 16 February 2005 and comprises three Independent Non-executive Directors and Mr. Zen Wei Peu, Derek. The meetings of the Remuneration Committee shall be held at least twice a year to review, evaluate and approve the remuneration of the Vice Chairman, executive Directors and senior management of the Group.

Up to the date of this report, the Remuneration Committee held one meeting in which all the Independent Non-Executive Directors attended.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company adopted the Model Code for Securities Transaction by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code on 19 May 2004. Having made specific enquiry of all Directors, the Company has ascertained that all of its Directors have complied with required standards as set out in the Model Code during the period from the date of its adoption to 31 December 2004.

CODE OF BEST PRACTICE

The Company has complied from the date of the completion of the restructuring on 23 April 2004 to 31 December 2004 with the Code of Best Practice as set out in Appendix 14 to the Listing Rules which was in force prior to the accounting period commencing on 1 January 2005, save that the Independent Non-executive Directors and Non-executive Directors have not been appointed for a specific term of office but are subject to retirement by rotation in accordance with the Bye-laws of the Company.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of its Directors, the per cent of its public float exceeds 25% from 27 April 2004 (date of resumption of trading after the completion of the restructuring) to 1 April 2005, the latest practicable date to ascertain such information prior to the issue of this annual report.

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 Peu, Derek
Chairman

1 April 2005