

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

### PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its principal subsidiaries, associates and principal jointly controlled entities are set out in notes 44, 18 and 19 to the financial statements respectively.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 5 to the financial statements.

### CUSTOMERS AND SUPPLIERS

For the year ended 31st December, 2004, the five largest customers of the Group together accounted for approximately 76% of the Group's turnover, with the largest customer accounted for 41%, 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 December, 2004 are set out in the consolidated income statement on page 39.

An interim dividend of HK5 cents per share was paid to shareholders during the year. The Directors now recommend the payment of a final dividend of HK6 cents per share payable to shareholders whose names appear in the Register of Members of the Company on 13th May, 2005. The amounts of dividends paid and dividends proposed for the year are set out in note 13 to the financial statements.

### RESERVES

Details of movements in the reserves of the Group and the Company for the year are set out in the consolidated statement of changes in equity on page 43 and/or in note 36 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/period is set out on pages 98 and 99.

## PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent on leasehold improvements of HK\$67,000, plant and machinery of HK\$1,442,000, furniture, fixtures and equipment of HK\$834,000, motor vehicles of HK\$84,000 and vessels of HK\$6,753,000.

Details of these and other 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 34 and 35 to the financial statements respectively.

## ACQUISITION OF SUBSIDIARIES

In April 2004, the Group took over Build King Holdings Limited ("Build King", formerly known as I-China Holdings Limited) as the single largest shareholder and all construction activities of the Group were injected into it. Build King is now the Group's construction flagship. As of the date of this report, the Group owns 54.06% effective interest in Build King. Effects of the acquisition of the subsidiaries on the Group are set out in note 37 to the financial statements.

## CONNECTED TRANSACTIONS

- (1) 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 Chapter 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") in respect of, inter alia, the building/construction sub-contracting works (the "Sub-contracting Arrangements") which were undertaken by the Group in respect of which the main contractor is NWS Service Management Limited (formerly known as New World Services Limited), a subsidiary of a substantial shareholder of the Company, or its associates (as defined in the Listing Rules) including Ngo Kee Construction Company Limited. The waiver of the Sub-contracting Arrangements is granted for a period of three years ended on 31st March, 2004.

The details of the transaction were disclosed in the circular dated 5th June, 2001 issued by the Company to the shareholders.

**CONNECTED TRANSACTIONS** *(Continued)*(1) *(Continued)*

During the period from 1st January, 2004 to 31st March, 2004, there was no transaction in relation to the Sub-contracting Arrangements.

The Independent Non-executive Directors of the Company have reviewed the Sub-contracting Arrangements and confirmed that the Sub-contracting Arrangements had been conducted in the manner as stated in the Waiver.

- (2) On 15th March, 2004, the Company adopted the staff share purchasing scheme (the "Staff Share Purchasing Scheme"). Pursuant to which the Company through its wholly owned subsidiary might grant the purchase rights (the "Purchase Rights") to the eligible participants (the "Eligible Participants") being any employee, executive or officer of the members of the Group and Kier Hong Kong Limited, an associate of the Group, to purchase shares in the share capital of Build King ("Build King Shares") at the purchase price of HK\$0.006 per share from the Company subject to the completion (the "Completion") of the restructuring proposal of Build King. The grant of the Purchase Rights to the Eligible Participants including directors of any member of the Group constitutes a connected transaction of the Company.

The purpose of the Staff Share Purchasing Scheme was to provide incentive to employees, executives or officers of the members of the Group and Kier Hong Kong Limited whose contributions would be of paramount importance to the success of the Company, Build King and their subsidiaries as a result of their efforts after the Completion. The principal terms of the Staff Share Purchasing Scheme were disclosed in the Company's announcement dated 15th March, 2004.

Upon the Completion on 23rd April, 2004, the Purchase Rights for the acquisition of an aggregate of 1,063,160,000 Build King Shares, of which 705,320,000 Build King Shares granted to the directors of the members of the Group and 357,840,000 Build King Shares granted to other Eligible Participants, had been granted by the Company for an aggregate consideration of HK\$430.

At the special general meeting of Build King held on 23rd July, 2004, approval had been obtained from the shareholders of Build King in respect of share consolidation (on the basis that every ten shares of HK\$0.01 each in the issued and unissued share capital of Build King were consolidated into one share of HK\$0.10 each ("New Build King Shares")). Accordingly, the Purchase Rights for the acquisition of the shares in Build King had been adjusted from 1,063,160,000 Build King Shares at the purchase price of HK\$0.006 per share to 106,316,000 New Build King Shares at the purchase price of HK\$0.06 per share (the "Purchase Price").

## CONNECTED TRANSACTIONS (Continued)

### (2) (Continued)

A summary of movements of the Purchase Rights for the acquisition of New Build King Shares under the Staff Share Purchasing Scheme during the year was as follows:

Name	Nature of interest	The Purchase Rights granted to the Eligible Participants	New Build King Shares delivered upon full payment of the Purchase Price during the year	The Purchase Rights lapsed during the year	Other changes (Note 1)	Balance of New Build King Shares at 31.12.2004 to be delivered upon full payment of the Purchase Price (Note 2)	Percentage of New Build King Shares to be delivered over the issued ordinary share capital of Build King (Note 3)
<b>Directors</b>							
Zen Wei Pao, William	Personal	10,000,000	—	—	—	10,000,000	1.28%
Zen Wei Peu, Derek	Personal	20,000,000	—	—	—	20,000,000	2.56%
Fong Shiu Leung, Keter	Personal	5,000,000	—	—	—	5,000,000	0.64%
<b>Directors of subsidiaries of the Group</b>							
	Personal	35,532,000	(16,666,000)	(1,200,000)	1,660,000	19,326,000	2.47%
<b>Sub-total</b>		70,532,000	(16,666,000)	(1,200,000)	1,660,000	54,326,000	6.95%
<b>Others</b>							
Employees	Personal	35,784,000	(8,200,000)	(800,000)	(1,660,000)	25,124,000	3.22%
<b>Sub-total</b>		35,784,000	(8,200,000)	(800,000)	(1,660,000)	25,124,000	3.22%
<b>Total</b>		106,316,000	(24,866,000)	(2,000,000)	—	79,450,000	10.17%

## CONNECTED TRANSACTIONS *(Continued)*

(2) *(Continued)*

Notes:

1. During the year, an employee who had been granted the Purchase Rights to acquire 1,660,000 New Build King Shares was appointed as a director of a subsidiary of the Company.
2. 50% of the Purchase Price has been paid by the Eligible Participants and the New Build King Shares will be delivered to them upon their payment of the remaining balance of the Purchase Price payable on or before the second anniversary of 27th April, 2004, being the date on which Build King Shares had resumed trading on the Stock Exchange, as per the terms and conditions stipulated under the Staff Share Purchasing Scheme.
3. As at 31st December, 2004, the issued ordinary share capital of Build King was 781,408,494 shares.

## POSSIBLE CONTINUING CONNECTED TRANSACTIONS

Upon the Completion on 23rd April, 2004, Build King became a non-wholly owned subsidiary of the Company and therefore the Company became a connected person of Build King under the Listing Rules.

On 19th May, 2004, the Company and Build King entered into a master agreement (the "Agreement"), pursuant to which the Group agreed to provide indemnities and guarantees for construction contracts and the guarantees for banking facilities (the "Possible Continuing Connected Transactions") in favour of third parties in respect of the obligations of Top Tactic Holdings Limited and its subsidiaries (collectively "Top Tactic Group") which are all subsidiaries of Build King from 23rd April, 2004 to 31st December, 2006. In return, the Group would charge the Top Tactic Group corporate guarantee fees based on normal commercial terms.

Messrs. Zen Wei Pao, William and Zen Wei Peu, Derek, both of whom are Directors of the Company, together held 7.89% interest in Build King. Upon the delivery of an aggregate of 30,000,000 New Build King Shares representing approximately 3.84% of the issued ordinary share capital of Build King to them under the Staff Share Purchasing Scheme within 30 days after (i) full payment of the relevant purchase price; or (ii) the expiry of the six-month period after 27th April, 2004, being the date on which Build King Shares had resumed trading on the Stock Exchange, subject to the receipt of the Purchase Price in full by the Company, whichever is the later, Messrs. Zen Wei Pao, William and Zen Wei Peu, Derek will together hold more than 10% interest in Build King and Build King will then be considered a connected person of the Company under Chapter 14A of the Listing Rules.

The Company had proposed to set caps (the "Proposed Caps") in respect of each of the Possible Continuing Connected Transactions over three financial years ending 31st December, 2006:

- (a) In respect of the guarantee, undertaking or indemnity providing for liabilities of members of the Top Tactic Group to independent employers of or partners in projects undertaken by members of the Top Tactic Group, there would be no cap on liability provided that the contract sum of each project should not exceed HK\$1 billion and the total contract sum of all projects awarded after 23rd April, 2004 should not exceed HK\$5 billion, for each of the three financial years ending 31st December, 2006;

## POSSIBLE CONTINUING CONNECTED TRANSACTIONS *(Continued)*

- (b) In respect of the guarantee to financial institutions which provide performance and/or tender bonds for projects undertaken by members of the Top Tactic Group, the bond sum issued after 23rd April, 2004 would not exceed a maximum amount of HK\$200 million, for each of the three financial years ending 31st December, 2006; and
- (c) In respect of the guarantee in support of banking facilities (loans or overdrafts) extended to members of the Top Tactic Group, the banking facilities would not exceed a maximum amount of liability of HK\$100 million, for each of the three financial years ending 31st December, 2006.

The Agreement and the Proposed Caps were approved by the independent shareholders of the Company at the special general meeting of the Company held on 21st June, 2004.

As of the date of this report, Messrs. Zen Wei Pao, William and Zen Wei Peu, Derek have not fully paid the Purchase Price for the acquisition of an aggregate of 30,000,000 New Build King Shares. Hence, the relevant shares have not been delivered to them. As such, Build King was not considered a connected person of the Company.

## DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

### Executive Directors:

Zen Wei Pao, William (*Chairman*)  
Zen Wei Peu, Derek (*Vice Chairman*)  
Fong Shiu Leung, Keter

### Non-executive Directors:

Lam Wai Hon, Patrick  
Cheng Chi Pang, Leslie

### Independent Non-executive Directors:

Wong Che Ming, Steve  
Wan Siu Kau, Samuel  
Wong Man Chung, Francis (appointed on 9th August, 2004)

In accordance with bye-laws 86 and 87 of the Company's Bye-laws, Wong Che Ming, Steve, Wan Siu Kau, Samuel and Wong Man Chung, Francis 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.

## DIRECTORS AND DIRECTORS' SERVICE CONTRACTS *(Continued)*

Each of Zen Wei Pao, William, Zen Wei Peu, Derek and Fong Shiu Leung, Keter entered into service contracts with the Group for a term of three years commencing from 1st August, 2003 and thereafter, if mutually agreed in writing, extend for further one year. In accordance with the Listing Rules, such service contracts, which were entered into on or before 31st January, 2004, are exempt from the shareholders' approval requirement under Rule 13.68 of the Listing Rules.

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

The Company received confirmation of independence from Wong Che Ming, Steve and Wan Siu Kau, Samuel, being the Independent Non-executive Directors in respect of the year ended 31st December, 2004, pursuant to Rule 3.13 of the Listing Rules. The Company also received confirmation of independence from Wong Man Chung, Francis, who has been appointed as an Independent Non-executive Director with effect from 9th August, 2004, pursuant to Rule 3.13 of the Listing Rules. The Company considers all the Independent Non-executive Directors to be independent.

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 BOARD

The Board comprises eight members. Three of them are Independent Non-executive Directors and are of professionals with backgrounds in legal, human resources 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 will be arranged if and when required. During the year, there were six board meetings held by the Company and the attendance record of the Board members are as follows:

	Attendance (%)
<b>Executive Directors:</b>	
Zen Wei Pao, William	67%
Zen Wei Peu, Derek	83%
Fong Shiu Leung, Keter	100%
<b>Non-executive Directors:</b>	
Lam Wai Hon, Patrick	83%
Cheng Chi Pang, Leslie	83%
<b>Independent Non-executive Directors:</b>	
Wong Che Ming, Steve	100%
Wan Siu Kau, Samuel	100%
Wong Man Chung, Francis	100% (three meetings during his term)

## DIRECTORS' INTERESTS AND SHORT POSITIONS

As at 31st December, 2004, the interests and short positions of the Directors of the Company in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which are 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 and short positions which they were taken or deemed to have under such provisions of the SFO) or were required to be entered in the register maintained by the Company pursuant to section 352 of the SFO or 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 were as follows:

### (I) The Company

#### *Interests in shares*

Name of Director	Capacity/ Nature of interest	Number of shares held		Percentage of holding (%)
		Long position	Short position	
Zen Wei Pao, William	Personal	192,381,843 (Note 1)	—	24.26 (Note 2)
Zen Wei Peu, Derek	Personal	185,057,078 (Note 1)	—	23.33 (Note 2)
Lam Wai Hon, Patrick	Personal	300,000 (Note 1)	—	0.03
Cheng Chi Pang, Leslie	Personal	500,000 (Note 1)	—	0.06
Wong Che Ming, Steve	Personal	1,100,000 (Note 1)	—	0.14

#### *Notes:*

1. Long position in the shares (other than pursuant to equity derivatives such as share options, warrants to subscribe or convertible bonds).
2. As at 31st December, 2004, the issued share capital of the Company is 793,124,034 shares. Accordingly, the percentage has been adjusted.



## DIRECTORS' INTERESTS AND SHORT POSITIONS (Continued)

## (II) Associated Corporation

## Interests in shares

Name of Director	Name of company	Capacity/ Nature of interest	Number of shares held		Percentage of holding (%)
			Long position	Short position	
Zen Wei Pao, William	Build King Holdings Limited	Personal	11,940,003 (Note 1)	—	1.53
		Personal	10,000,000 (Note 3)	—	1.28
	Road King Infrastructure Limited	Personal	5,000,000 (Note 2)	—	0.85
	Wai Kee (Zens) Construction & Transportation Company Limited	Personal	2,000,000 (Note 1)	—	10.00
	Wai Luen Stone Products Limited	Personal	30,000 (Note 1)	—	37.50
Zen Wei Peu, Derek	Build King Holdings Limited	Personal	49,715,421 (Note 1)	—	6.36
		Personal	20,000,000 (Note 3)	—	2.56
	Road King Infrastructure Limited	Personal	966,000 (Note 1)	—	0.16
		Personal	1,950,000 (Note 2)	—	0.33
	Wai Kee (Zens) Construction & Transportation Company Limited	Personal	2,000,000 (Note 1)	—	10.00
Wai Luen Stone Products Limited	Personal	30,000 (Note 1)	—	37.50	
Fong Shiu Leung, Keter	Build King Holdings Limited	Personal	5,000,000 (Note 3)	—	0.64
	Road King Infrastructure Limited	Personal	2,000,000 (Note 2)	—	0.34
Lam Wai Hon, Patrick	Build King Holdings Limited	Personal	140,000 (Note 1)	—	0.02
Cheng Chi Pang, Leslie	Build King Holdings Limited	Personal	140,000 (Note 1)	—	0.02
Wong Che Ming, Steve	Build King Holdings Limited	Personal	311,225 (Note 1)	—	0.04

## DIRECTORS' INTERESTS AND SHORT POSITIONS *(Continued)*

### (II) Associated Corporation *(Continued)*

#### *Interests in shares (Continued)*

##### *Notes:*

1. Long position in the shares (other than pursuant to equity derivatives such as share options, warrants to subscribe or convertible bonds).
2. Long position in the underlying shares of Road King Infrastructure Limited pursuant to unlisted equity derivatives (including physically settled, cash settled and other equity derivatives). Share options granted to directors are included in this category, the particulars of which are set out in (II) under the heading "SHARE OPTIONS" below.
3. Pursuant to the Staff Share Purchasing Scheme, each of Messrs. Zen Wei Pao, William, Zen Wei Peu, Derek and Fong Shiu Leung, Keter was granted a right to acquire 100,000,000, 200,000,000 and 50,000,000 Build King Shares from the Company respectively. Subsequent to the share consolidation of Build King Shares on 26th July, 2004, the number of shares in Build King to be acquired through the exercise of the Purchase Rights has been adjusted, details of which are set out under the heading "CONNECTED TRANSACTIONS" above.

Save as disclosed above, none of the Directors or their associates has any interests or short positions in any shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) as recorded in the register to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange.

## SHARE OPTIONS

### (I) The Company

The share option scheme of the Company adopted on 7th August, 1992 (the "Old Share Option Scheme") was terminated and a new share option scheme (the "New Share Option Scheme") was adopted by the Company at the annual general meeting held on 18th September, 2002 to comply with Chapter 17 of the Listing Rules. As a result, the Company may no longer grant further options under the Old Share Option Scheme. However, all options granted prior to the termination of the Old Share Option Scheme shall remain in full force and effect. During the year, 7,875,000 were exercised. As at 31st December, 2004, no options granted under the Old Share Option Scheme remained outstanding. No option was granted under the New Share Option Scheme during the year.

Details of the Old Share Option Scheme and the New Share Option Scheme are set out in note 35 to the financial statements.

Renewal of the 10% share option scheme mandate limit under the New Share Option Scheme was approved by the shareholders of the Company on 12th May, 2004. Therefore, the Company can grant share options to subscribe for up to 79,282,403 shares of the Company under the New Share Option Scheme. As no share option has been granted under the New Share Option Scheme since 12th May, 2004, the total number of shares available for issue under the New Share Option Scheme is 79,282,403 representing approximately 10% of the Company's issued share capital as at the date of this report.

## SHARE OPTIONS *(Continued)*

### (I) The Company *(Continued)*

A summary of movements during the year under the Old Share Option Scheme was as follows:

Name	Date of grant	Vesting period	Exercisable period	Exercise Price	Number of share options					Balance at 31.12.2004
					Balance at 1.1.2004	Granted during the year	Exercised during the year*	Expired during the year	Cancelled during the year	
<i>HK\$</i>										
<b>Directors</b>										
Zen Wei Pao, William	29th November, 2000	3 years	29th November, 2001 to 28th November, 2004	0.34	5,000,000	—	(5,000,000)	—	—	—
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)	—	—	—
<b>Sub-total</b>					<b>6,000,000</b>	<b>—</b>	<b>(6,000,000)</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Others</b>										
Employees	29th November, 2000	3 years	29th November, 2001 to 28th November, 2004	0.34	1,875,000	—	(1,875,000)	—	—	—
<b>Sub-total</b>					<b>1,875,000</b>	<b>—</b>	<b>(1,875,000)</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Total</b>					<b>7,875,000</b>	<b>—</b>	<b>(7,875,000)</b>	<b>—</b>	<b>—</b>	<b>—</b>

\* The weighted average closing price of the shares of the Company immediately before the dates on which the options were exercised was HK\$1.45.

## SHARE OPTIONS (Continued)

### (II) Associated Corporation

The new share option scheme of Road King Infrastructure Limited ("Road King"), an associate of the Company, was adopted by Road King at the annual general meeting held on 12th May, 2003 (the "Road King New Share Option Scheme") to comply with Chapter 17 of the Listing Rules. As at 31st December, 2004, Road King has granted 9,600,000 share options under the Road King New Share Option Scheme to three Directors of the Company.

Details of the share options granted under the Road King New Share Option Scheme to the following Directors of the Company and a summary of the movements during the year were as follows:

Name	Date of grant	Vesting period	Exercisable period	Exercise Price	Number of share options					
					Balance at 1.1.2004	Granted during the year#	Exercised during the year**	Expired during the year	Cancelled during the year	Balance at 31.12.2004
HK\$										
Directors										
Zen Wei Pao, William	17th October, 2003	5 years	17th October, 2003 to 16th October, 2008	5.15	2,500,000	—	—	—	—	2,500,000
	26th August, 2004	5 years	26th August, 2004 to 25th August, 2009	5.70	—	2,500,000	—	—	—	2,500,000
Zen Wei Peu, Derek	17th October, 2003	5 years	17th October, 2003 to 16th October, 2008	5.15	1,300,000	—	(650,000)	—	—	650,000
	26th August, 2004	5 years	26th August, 2004 to 25th August, 2009	5.70	—	1,300,000	—	—	—	1,300,000
Fong Shiu Leung, Keter	17th October, 2003	5 years	17th October, 2003 to 16th October, 2008	5.15	1,000,000	—	—	—	—	1,000,000
	26th August, 2004	5 years	26th August, 2004 to 25th August, 2009	5.70	—	1,000,000	—	—	—	1,000,000
<b>Total</b>					<b>4,800,000</b>	<b>4,800,000</b>	<b>(650,000)</b>	<b>—</b>	<b>—</b>	<b>8,950,000</b>

# The closing price of the shares of Road King immediately before the date of grant was HK\$5.55.

\*\* The weighted average closing price of the shares of Road King immediately before the date on which the share options were exercised was HK\$5.739.

### SHARE OPTIONS *(Continued)*

Save as disclosed above, none of the Directors nor any of their associates had any interests in the securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

Save as disclosed above, none of the Directors nor their spouse or children under 18 years of age were granted or had exercised any rights to subscribe for any securities of the Company or any of its associated corporations.

### ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

Other than the share option schemes and the Staff Share Purchasing Scheme as mentioned earlier, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or 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.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31st December, 2004, so far as is known to any Directors of the Company, the following persons (other than Directors of the Company), who have interests or short positions in the shares and underlying shares of the Company 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 pursuant to section 336 of the SFO:

Name of shareholder	Name of company	Capacity/ Nature of interest	Number of shares held		Percentage of holding (%)
			Long position	Short position	
Chow Tai Fook Enterprises Limited (Note 2)	Wai Kee Holdings Limited	Corporate	213,868,000 (Note 1)	—	26.97
New World Development Company Limited (Note 3)	Wai Kee Holdings Limited	Corporate	213,868,000 (Note 1)	—	26.97
NWS Holdings Limited (Note 4)	Wai Kee Holdings Limited	Corporate	213,868,000 (Note 1)	—	26.97
NWS Service Management Limited (Note 5)	Wai Kee Holdings Limited	Corporate	213,868,000 (Note 1)	—	26.97
NWS Service Management Limited (Note 6)	Wai Kee Holdings Limited	Corporate	213,868,000 (Note 1)	—	26.97
Vast Earn Group Limited (Note 7)	Wai Kee Holdings Limited	Personal/Beneficiary	213,868,000 (Note 1)	—	26.97

### Notes:

1. Long position in the shares (other than pursuant to equity derivatives such as share options, warrants to subscribe or convertible bonds).
2. 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.
3. 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.

### SUBSTANTIAL SHAREHOLDERS' INTERESTS *(Continued)*

*Notes: (Continued)*

4. 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.
5. 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.
6. 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.
7. Vast Earn Group Limited is a wholly owned subsidiary of NWS Service Management Limited (incorporated in the British Virgin Islands).

Save as disclosed above, no other person (other than a Director 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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31st December, 2004.

### SUFFICIENCY OF PUBLIC FLOAT

According to the information that is available to the Company and within the knowledge of the Directors of the Company, the Company has maintained the prescribed public float under 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\$381,000.

## DISCLOSURE PURSUANT TO RULES 13.13, 13.15, 13.16, 13.20 AND 13.22 OF THE LISTING RULES

- (1) As at 31st 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\$188,390,000, representing approximately 6.63% of the Group's total assets of HK\$2,840,832,000 (being the Group's total assets of HK\$2,888,419,000 as at 31st December, 2004, adjusted for the final dividend for the year ended 31st December, 2004 amounting to approximately HK\$47,587,000 declared by the Company pursuant to Rule 14.16(1) of the Listing Rules) (the "Adjusted Total Assets") and approximately 16.16% of the Company's market capitalisation of approximately HK\$1,165,892,000 as at 31st December, 2004 (the "Market Capitalisation"). The Market Capitalisation was based on the total number of 793,124,034 ordinary shares of the Company in issue as at 31st December, 2004 and the average closing price of HK\$1.47 per share as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding 31st December, 2004.
- (2) Details of the financial assistance to and guarantees given for the benefit of the Company's affiliated companies as at 31st December, 2004 are as follows:

Jointly controlled entities/ Associates	Percentage of interest attributable to the Group	Shareholders' loans to jointly controlled entities/ associates HK\$'000	Guarantees given for banking facilities granted HK\$'000	Guarantees given for tender/ performance/ retention bonds in respect of the construction contracts HK\$'000	Total HK\$'000
Barclay Mowlem-Zen Pacific-China Civil Joint Venture	18.92% (Note a)	18	—	—	18
China State-Zen Pacific Joint Venture	16.22% (Note a)	170	—	4,883	5,053
Dragages (HK) Joint Venture	7.57% (Note a)	1,828	—	54,000	55,828
Dragages-Zen Pacific Joint Venture	13.52% (Note a)	108	—	5,837	5,945
Kier/Zen Pacific Joint Venture	27.03% (Note a)	—	—	4,370	4,370
Taiwan Track Partners Joint Venture	4.32% (Note a)	—	—	6,685	6,685
Zen Pacific-Shui On Joint Venture (C518)	27.03% (Note a)	840	—	—	840
Hong Kong Landfill Restoration Group Limited	12.43% (Note a)	490	—	—	490
Kier Hong Kong Limited ("Kier") (Note b)	26.76% (Note a)	22,606	44,000	22,038	88,644
Kier Joint Venture	13.38% (Note a)	—	—	10,000	10,000
Kong On Waste Management Limited	27.03% (Note a)	197	—	—	197
Supertime Holdings Limited	50%	—	—	10,320	10,320
		26,257	44,000	118,133	188,390



DISCLOSURE PURSUANT TO RULES 13.13, 13.15, 13.16, 13.20 AND 13.22 OF THE LISTING RULES  
(Continued)

(2) (Continued)

Notes:

- (a) The Group holds the effective interest in this jointly controlled entity/associate through Build King, in which the Company holds 54.06% effective interest and whose shares are listed on the main board of the Stock Exchange.
- (b) As at 31st December, 2004, the total relevant advances made by the Group to Kier amounted to approximately HK\$88,644,000, representing approximately 3.12% of the Adjusted Total Assets and approximately 7.60% of the Market Capitalisation. The shareholders' loan to Kier amounted to HK\$22,606,000 of which an amount of HK\$20,000,000 was advanced by a subsidiary of the Company (the "Subsidiary"). Kier agreed in writing that the Subsidiary has the right to set off the loan against any amount due to Kier by the Subsidiary or any companies whose ultimate holding company is the Company. As at 31st December, 2004, HK\$8,484,000 of the loan amount was set off against the same amount due to Kier from the Group.

The guarantees of HK\$44,000,000 were given for banking facilities granted collectively to Kier and the Company's subsidiaries. As at 31st December, 2004, HK\$3,575,000 of the banking facilities was utilised by Kier for issuance of letters of credit and HK\$3,207,000 of the banking facilities was utilised for issuance of performance bonds in respect of construction contracts of the Company's subsidiaries.

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\$22,606,000 of which an amount of HK\$20,000,000 which bears interest at best lending rate quoted by The Hongkong and Shanghai Banking Corporation Limited.

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

	<i>HK\$'000</i>
Non-current assets	111,083
Current assets	1,367,646
Current liabilities	(1,179,746)
Non-current liabilities	(23,342)
<u>Net assets</u>	<u>275,641</u>

Save as disclosed above, the Company does not have other disclosure obligations under Rules 13.13, 13.15, 13.16, 13.20 and 13.22 of the Listing Rules.

## AUDIT COMMITTEE

Pursuant to the requirements of the Listing Rules, the Company had on 30th July, 1998 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 currently comprising three Independent Non-executive Directors meets twice a year to review and discuss with 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 the assessment of the Group's internal controls.

During the year, the Audit Committee held two meetings and the attendance record of the Audit Committee members are as follows:

Audit Committee members	Attendance (%)
Wong Che Ming, Steve	100%
Wan Siu Kau, Samuel	100%
Wong Man Chung, Francis	N/A (Note)

Note: The two Audit Committee meetings were held before the appointment of Mr. Wong Man Chung, Francis as an Audit Committee member on 9th August, 2004.

## CODE OF BEST PRACTICE

The Company has complied throughout the year ended 31st December, 2004 with the Code of Best Practice as set out in Appendix 14 of the Listing Rules, save that the Non-executive Directors were not appointed for a specific term but are subject to retirement by rotation.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors by Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules. Upon enquiry by the Company, all Directors of the Company have confirmed that they have complied with the required standards set out in the Model Code throughout the year ended 31st December, 2004.

### EMPLOYEES AND REMUNERATION POLICIES

As at 31st December, 2004, the Group had 1,481 employees (1,032 employees as at 31st December, 2003), of which 1,071 (698 as at 31st December, 2003) were located in Hong Kong, 399 (311 as at 31st December, 2003) were located in Mainland China and 11 (23 as at 31st December, 2003) were located in Taiwan.

Competitive remuneration packages are structured to commensurate with individual responsibilities, qualification, experience and performance.

The emoluments of the Directors are to be determined by the Board with authorization granted by the shareholders at an annual general meeting with reference to the duties, responsibilities and performance of the Directors and the results of the Group.

### 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*

1st April, 2005