

The Directors present their annual report and the audited financial statements for the year ended 31st March, 2001.

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 48, 17 and 18 to the financial statements respectively.

An analysis of the Group's turnover and contribution to the profit before taxation by principal activity and by geographical market is set out in note 3 to the financial statements.

CUSTOMERS AND SUPPLIERS

For the year ended 31st March, 2001, the five largest customers of the Group together accounted for approximately 65% 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, 2001 are set out in the consolidated income statement on page 26.

The Directors do not recommend the payment of a dividend and recommend that profit for the year of HK\$176,168,000 to be retained.

RESERVES

Movements in the reserves of the Group and the Company for the year are set out in note 37 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 80.

Directors' Report

PROPERTY, PLANT AND EQUIPMENT

The Group spent an amount of HK\$9,762,000 on new plant and machinery and an amount of HK\$9,405,000 on new vessels during the year.

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

SHARE CAPITAL, WARRANTS AND SHARE OPTIONS

Details of movements in the share capital, warrants and share options of the Company are set out in notes 34, 35 and 36 to the financial statements respectively.

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*)

Yu Sai Yen (appointed on 22nd September, 2000)

Yue Pak Lim (appointed on 22nd September, 2000)

Fong Shiu Leung, Keter (appointed on 1st August, 2000)

Nip Yun Wing, Horace (resigned on 21st September, 2000)

Non-executive Directors:

Lam Wai Hon, Patrick (appointed on 22nd September, 2000)

Cheng Chi Pang, Leslie (appointed on 22nd September, 2000)

Independent Non-executive Directors:

Tse Sze Wing, Edmund

Wong Che Ming, Steve

In accordance with Bye-law 86 of the Company's Bye-laws, Yue Pak Lim, Lam Wai Hon, Patrick and Cheng Chi Pang, Leslie shall retire from office at the forthcoming annual general meeting, and being eligible, offer themselves for re-election. In view of other business commitments, Yu Sai Yen and Tse Sze Wing, Edmund have given notice to retire from the Board at the forthcoming annual general meeting and do not offer themselves for re-election.

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, 2001, 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 of Hong Kong Limited (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) Construction & Transportation Company Limited	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
Tse Sze Wing, Edmund	Nil	1,630,000	Nil	72,000	Nil	14,400	Nil	Nil
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, 2001.

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' Report

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

- (i) During the year, the following Directors of the Company had personal interests in share options to subscribe for shares in the Company:

Name of Director	Date granted	Exercisable period	Exercise price HK\$	Balance at 1.4.2000	Number of share options		Balance at 31.3.2001
					Granted during the year	Lapsed during the year	
Zen Wei Pao, William	8th July, 1996	8th July, 1997 – 7th July, 2000	1.60	1,500,000	–	(1,500,000)	–
	29th November, 2000	29th November, 2001 – 28th November, 2004	0.34	–	5,000,000	–	5,000,000
Zen Wei Peu, Derek	8th July, 1996	8th July, 1997 – 7th July, 2000	1.60	1,500,000	–	(1,500,000)	–
	29th November, 2000	29th November, 2001 – 28th November, 2004	0.34	–	5,000,000	–	5,000,000
Yu Sai Yen	29th November, 2000	29th November, 2001 – 28th November, 2004	0.34	–	1,000,000	–	1,000,000
Yue Pak Lim	29th November, 2000	29th November, 2001 – 28th November, 2004	0.34	–	1,000,000	–	1,000,000
Fong Shiu Leung, Keter	29th November, 2000	29th November, 2001 – 28th November, 2004	0.34	–	1,000,000	–	1,000,000
Lam Wai Hon, Patrick	29th November, 2000	29th November, 2001 – 28th November, 2004	0.34	–	500,000	–	500,000
Cheng Chi Pang, Leslie	29th November, 2000	29th November, 2001 – 28th November, 2004	0.34	–	500,000	–	500,000
Tse Sze Wing, Edmund	26th September, 1996	26th September, 1997 – 25th September, 2000	1.38	500,000	–	(500,000)	–
	29th November, 2000	29th November, 2001 – 28th November, 2004	0.34	–	500,000	–	500,000
Wong Che Ming, Steve	29th November, 2000	29th November, 2001 – 28th November, 2004	0.34	–	500,000	–	500,000

The aggregate consideration received in respect of the share options granted to the Directors of the Company during the year was HK\$9.

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 of Director	Date granted	Exercisable period	Exercise price at 1.4.2000 HK\$	Balance at 1.4.2000	Number of share options		Balance at 31.3.2001
					Granted during the year	Lapsed during the year	
Zen Wei Pao, William	23rd June, 1997	23rd June, 1998 – 22nd June, 2000	6.00	770,000	–	(770,000)	–
	2nd August, 1999	2nd August, 2000 – 1st August, 2002	5.60	719,000	–	–	719,000
	2nd August, 1999	2nd August, 2000 – 1st August, 2002	4.95	550,000	–	–	550,000
	8th August, 2000	8th August, 2001 – 7th August, 2003	3.20	–	2,900,000	–	2,900,000
Zen Wei Peu, Derek	23rd June, 1997	23rd June, 1998 – 22nd June, 2000	6.00	350,000	–	(350,000)	–
	2nd August, 1999	2nd August, 2000 – 1st August, 2002	5.60	539,000	–	–	539,000
	2nd August, 1999	2nd August, 2000 – 1st August, 2002	4.95	250,000	–	–	250,000
	8th August, 2000	8th August, 2001 – 7th August, 2003	3.20	–	1,500,000	–	1,500,000
Fong Shiu Leung, Keter	8th August, 2000	8th August, 2001 – 7th August, 2003	3.20	–	320,000	–	320,000
Nip Yun Wing, Horace	23rd June, 1997	23rd June, 1998 – 22nd June, 2000	6.00	350,000	–	(350,000)	–
	2nd August, 1999	2nd August, 2000 – 1st August, 2002	5.60	539,000	–	(539,000)	–
	2nd August, 1999	2nd August, 2000 – 1st August, 2002	4.95	250,000	–	(250,000)	–

The aggregate consideration received by Road King in respect of the share options granted to the Directors of the Company during the year was HK\$3.

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, 2001:

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, 2001.

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

During the year, the Company repurchased certain of its own shares on the Stock Exchange, details of which are set out in note 34 to the financial statements. The Directors considered that as the Company's shares were trading at a discount to the net assets value per share, the repurchases would increase the net assets value per share of the Company.

None of the Company's subsidiaries has 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\$279,620.

CODE OF BEST PRACTICE

The Company has complied throughout the year ended 31st March, 2001 with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

PRACTICE NOTE 19 TO THE LISTING RULES

In accordance with the requirements under Practice Note 19 ("PN 19") to the Listing Rules, the following information is disclosed:

- (1) Financial assistance to and guarantees given for the benefit of the Company's affiliated companies, by the Company and/or its subsidiaries (the "Group"), in aggregate amounted to approximately HK\$2,245,498,000 as at 31st March, 2001, being 125% of the Group's net assets of HK\$1,794,923,000 as at 31st March, 2001.

Directors' Report

PRACTICE NOTE 19 TO THE LISTING RULES (Cont'd)

- (2) Pursuant to paragraph 3.3 of PN 19, details of the financial assistance to and guarantees given for the benefits of the affiliated companies of the Company as at 31st March, 2001 are as follows:

Jointly controlled entities/associates	Percentage of interest held	Shareholders' loans to/ amounts due from HK\$'000	Guarantees given for loan/ banking facilities granted HK\$'000	Guaranteed loan drawn/ banking facilities utilised HK\$'000	Guarantees given for performance bonds in respect of construction contracts HK\$'000
Balfour Beatty – Zen Pacific Joint Venture	50%	–	–	–	116,141
Barclay Mowlem – Zen Pacific – AMEC Consortium	30.73%	–	–	–	3,850
Barclay Mowlem – Zen Pacific – China Civil Joint Venture	35%	2,070	–	–	13,181
Barclay Mowlem – Zen Pacific Joint Venture	40%	579	–	–	–
China State – Zen Pacific Joint Venture	30%	26	–	–	19,531
Dragages – Zen Pacific Joint Venture	25%	–	–	–	24,792
First Star Development Limited ("First Star") (note)	51%	86,893	1,749,952	973,284	116,900
Kier/Zen Pacific Joint Venture	50%	1,674	–	–	62,144
惠記集團有限公司 – 亞太單氏海事工程有限公司 – 遠東疏浚有限公司 聯合承攬企業體	37.5%	–	–	–	31,875
Hong Kong Landfill Restoration Group Limited	23%	3,666	–	–	10,529
Kong On Waste Management Limited	50%	1,178	–	–	–
Medidas Greater China Limited	45%	30	–	–	–
Road King Infrastructure Limited	49.998%	487	–	–	–
		<u>96,603</u>	<u>1,749,952</u>	<u>973,284</u>	<u>398,943</u>

Note: The Group does not have unilateral control over First Star. Accordingly, First Star has been classified as a jointly controlled entity and accounted for using the equity method.

PRACTICE NOTE 19 TO THE LISTING RULES (Cont'd)

(2) (Cont'd)

Shareholders' loans to/amounts due from affiliated companies were funded by internal resources and/or bank borrowings of the Group. The shareholders' loans to/amounts due from affiliated companies are unsecured, interest free and are repayable on demand except for a shareholders' loan to First Star amounting to HK\$37,383,000 which will not be repayable within twelve months from the balance sheet date.

(3) Pursuant to paragraph 3.10 of PN 19, a summary of the combined financial position of the Company's aforesaid affiliated companies as at 31st March, 2001 prepared based on the adjusted financial statements prepared under the accounting principles generally accepted in Hong Kong for the year ended 31st March, 2001, is as follows:

	<i>HK\$'000</i>
Non-current assets	5,012,818
Current assets	3,952,893
Current liabilities	(1,666,949)
Non-current liabilities	(2,209,058)
Minority interests	(84,242)
Net assets	<u>5,005,462</u>

Save as disclosed above, there is no other disclosure required to be made by the Company pursuant to PN 19 to the Listing Rules.

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

20th July, 2001