

EXCHANGE RATE EXPOSURE

As at 30th September, 2004, approximately 21.0% of the cash, bank balances and deposits were in other currencies and only 1.4% of the Group's total borrowings of HK\$1,115.9 million was denominated in Canadian dollars. The Canadian dollars denominated borrowings are directly tied in with the Group's business in Canada.

GEARING RATIO

The Group's gearing ratio, which was calculated using the Group's net borrowings of HK\$845.6 million and the shareholders' funds of HK\$1,360.4 million, was 62.2% as at 30th September, 2004 as compared to 42.8% as at 31st March, 2004.

PLEDGE OF ASSETS

As at 30th September, 2004, certain of the Group's properties, investment securities and bank deposits with an aggregate carrying value of approximately HK\$690.1 million and the interests in certain issued shares of subsidiaries of the Company were pledged to banks and financial institutions to secure general facilities granted to the Group.

CONTINGENT LIABILITIES

As at 30th September, 2004, the Group has contingent liabilities in respect of outstanding performance bonds on construction contracts of HK\$431.1 million.

EMPLOYEE AND REMUNERATION POLICY

As at 30th September, 2004, the Group employed a total of approximately 1,200 employees. The Group recruits and promotes individuals based on merit and their development potentials for the positions offered. Remuneration package is structured with reference to individual performance and the prevailing salary levels in the market. The Group also offers other benefits to employees including discretionary bonus, training, provident funds and medical coverage. Share option schemes are also established for the eligible employees but no share option was granted during the period.

MAJOR EVENTS

Acquisition of infrastructure development at Yangkou Port

In March 2004, the Group, through Paul Y. - ITC, entered into agreements with an independent third party to acquire 90.1% interest in a company which owns 60% interest in a joint venture for the development of a bulk handling sea port at Yangkou Port, Nantong City, the Mainland. The acquisition was completed in April 2004.

Acquisition of interest in Skynet (International Group) Holdings Limited ("Skynet")

In March 2004, the Group, through Paul Y. - ITC, entered into agreements relating to a capital reorganisation, asset and debt restructuring proposal (the "Skynet Restructuring Proposal") of Skynet, a company which shares are listed on the Hong Kong Stock Exchange. Pursuant to the Skynet Restructuring Proposal, the entire interest of the Paul Y. - ITC group's construction, engineering and concrete products business would be sold to Skynet in exchange of about 95% equity interests in Skynet. The completion of the Skynet Restructuring Proposal is currently expected in January 2005.

匯兌風險

於二零零四年九月三十日，約21.0%之現金、銀行結餘及存款乃以其他國家貨幣為單位，而在本集團1,115,900,000港元之借款總額中，僅有1.4%乃以加拿大元為單位。該等加拿大元借款與本集團之加拿大業務有直接關連。

資產負債比率

按本集團之借款淨額845,600,000港元及股東資金1,360,400,000港元計算，本集團於二零零四年九月三十日之資產負債比率為62.2%，而於二零零四年三月三十一日之有關比率則為42.8%。

資產抵押

於二零零四年九月三十日，本集團賬面總值約690,100,000港元之若干物業、投資證券及銀行存款，以及於本公司之附屬公司之若干已發行股份權益均已抵押予銀行及財務機構，為本集團取得一般信貸。

或然負債

於二零零四年九月三十日，本集團就仍然有效之建築合約履約擔保書有約431,100,000港元之或然負債。

僱員及酬金政策

於二零零四年九月三十日，本集團聘用約共1,200名僱員。本集團乃按個別人士出任職位之能力及發展潛力招聘及晉升員工。員工酬金乃取決於員工之表現及市場當時之薪金水平。本集團亦提供其他福利予僱員，包括酌定花紅、培訓、公積金及醫療保障計劃。購股權計劃乃為合資格僱員設立，惟期內並無授出任何購股權。

重大事項

收購洋口港之基建發展項目

二零零四年三月，本集團透過保華德祥向獨立第三方收購一間公司之90.1%權益，該公司擁有一間於國內江蘇省南通市洋口港發展大宗散貨深水碼頭之合營企業約60%權益。是項收購已於二零零四年四月完成。

收購天網(國際集團)有限公司(「天網」)權益

於二零零四年三月，本集團透過保華德祥訂立多份有關於香港聯交所上市之公司天網之股本重組及資產與債務重組之計劃(「天網重組計劃」)。根據天網重組計劃，天網將獲注入保華德祥集團之建築、工程及混凝土產品業務之全部權益，以換取天網約95%股權。目前預計天網重組建議將於二零零五年一月完成。

Acquisition of property interest in the Mainland

Subsequent to the period end, Paul Y. - ITC acquired a property development company, Yetwide Investments Limited which is principally engaged in a property development project at Taishan Municipality, Guangdong Province in the Mainland.

Disposal of shares in Paul Y. - ITC

On 18th August, 2004, the Board announced that the Group intended to place out sufficient shares in Paul Y. - ITC so that on completion of the placement Paul Y. - ITC will become an associated company of the Company. On 20th October, 2004, the Company disposed of 77 million shares in Paul Y. - ITC at a consideration of HK\$1.05 per share. After the disposal and upon the receipt of scrip shares from Paul Y. - ITC on 29th October, 2004, the Group's interest was decreased from 55.06% as at 30th September, 2004 to 49.58% as at the date of this report and Paul Y. - ITC has become an associated company of the Company with effect from 20th October, 2004.

Acquisition of property interest in Hong Kong

On 20th October, 2004, a wholly-owned subsidiary of the Company entered into a provisional sale and purchase agreement with a third party to acquire the whole of the 30th Floor and carparking spaces No. 4087, 4088, 4089 and 4043 on 4th Floor, Bank of America Tower, No. 12 Harcourt Road, Hong Kong at a consideration of approximately HK\$102 million. The acquisition of the property has been approved by the ordinary shareholders of the Company on 26th November, 2004 and is expected to be completed on or before 30th December, 2004. The property will be used as a downtown office for the Group.

Conversion of existing convertible preference shares into redeemable convertible preference shares

Upon the approval by the ordinary shareholders and preference shareholders on 13th October, 2004, the conversion of existing convertible preference shares into redeemable convertible preference shares has taken effect from 3rd November, 2004. The redeemable convertible preference shares will be redeemed, according to their terms, at HK\$1.06 per share on 3rd November, 2007.

SECURITIES IN ISSUE

As at the date of this report, the total numbers of issued ordinary shares and issued redeemable convertible preference shares of the Company are 654,294,107 and 267,980,000 respectively of HK\$0.10 each.

OUTLOOK

The recent releases of economic growth rate, unemployment rate and other indicators have confirmed the recovery of the Hong Kong economy. The rebound of property value, the implementation of the Closer Economic Partnership Arrangement (the "CEPA") and the Individual Visit Scheme have all contributed to the economic growth which is expected to continue. The Group is well-prepared to capture any opportunities in the course of the economy growth and under the CEPA to explore high potential investment and business in Hong Kong and the Mainland. Building on its existing platform with stringent cost control measures to maintain a sound financial management, and under a prudent investment and development policy, the Group continues to pursue its long term strategy and exploring high potential investments and attractive business opportunities. Barring unforeseen circumstances, the Group is poised to face up challenges with great confidence.

收購位於內地之物業權益

於本期間之結算日後，保華德祥收購益廣投資有限公司。該公司為物業發展公司，主要從事一個位於國內廣東省台山市之物業發展項目。

出售保華德祥之股份

於二零零四年八月十八日，董事會宣佈本集團計劃配售足夠數目之保華德祥股份以使到於配售完成後，保華德祥將成為本公司之聯營公司。於二零零四年十月二十日，本公司以每股1.05港元之價格出售77,000,000股保華德祥股份。在出售事項以及於二零零四年十月二十九日收到保華德祥發行之代息股份後，本集團持有之保華德祥權益由二零零四年九月三十日之55.06%減至於本報告刊發日期之49.58%，而保華德祥亦由二零零四年十月二十日起成為本公司之聯營公司。

收購位於香港之物業權益

於二零零四年十月二十日，本公司之一間全資附屬公司與一第三方訂立臨時買賣協議，以約102,000,000港元代價收購香港夏慤道12號美國銀行中心30樓全層及4樓4087、4088、4089及4043號泊車位。是項物業收購已於二零零四年十一月二十六日獲本公司普通股股東批准，預計將於二零零四年十二月三十日或之前完成。該物業將用作本集團在市中心樞紐位置之辦事處。

現有可換股優先股轉換成可贖回可換股優先股

自普通股股東與優先股股東於二零零四年十月十三日批准後，現有可換股優先股已由二零零四年十一月三日起轉換成可贖回可換股優先股。可贖回可換股優先股將根據其條款於二零零七年十一月三日按每股1.06港元之價格予以贖回。

已發行之證券

於本報告刊發日期，本公司之已發行普通股及已發行可贖回可換股優先股總數分別為654,294,107股及267,980,000股（每股面值0.10港元）。

展望

近日發表之經濟增長數據、失業率及其他指標均證實香港經濟正在復甦。物業價值回升、更緊密經貿關係安排與個人遊計劃之實施將推動經濟保持增長。本集團已準備好把握經濟增長以及更緊密經貿關係安排帶來之大好形勢中的任何商機，發掘中港兩地潛力優厚之投資及業務。憑藉其嚴謹之成本控制措施建立之穩健財務管理基石，再配合審慎之投資及發展政策，本集團將貫徹其長線策略、發掘潛力可觀之投資項目及具吸引力之商機。如無發生不可預見之情況，本集團有信心從容面對往後之挑戰。

