

MAJOR ASSOCIATES

DOWNER

Downer reported a revenue of approximately A\$3,172 million (approximately HK\$17,506 million) and a net profit after tax of approximately A\$82 million (approximately HK\$453 million) for the year ended 30th June, 2004 which represent increases of 18% and 22% from the corresponding year ended 30th June, 2003 respectively. As at the period end, the Group held approximately 21.2% of the then issued share capital of Downer.

Subsequent to the period end, the Group has disposed of its entire shareholding in Downer:

- In November 2004, pursuant to the incentive option agreement entered into with the Company in April 2003, a company controlled by certain executives of Downer has purchased from the Group 5.5 million shares in Downer at A\$2.2 each, in aggregate amounting to approximately A\$12.1 million (approximately HK\$72.6 million); and
- In December 2004, the Group has disposed of the remaining approximately 56.2 million shares in Downer at a price of A\$4.55 each to independent third parties. The gross sale proceeds arising from the disposal amount to approximately A\$255.8 million (approximately HK\$1,504 million).

CHINA STRATEGIC

China Strategic is an investment holding company listed on the Hong Kong Stock Exchange in which the Group holds a 29.4% interest. Through its subsidiaries and associates, China Strategic is engaged in the manufacturing of batteries, property investment and development business in China, manufacturing and marketing of tires in China and other countries abroad, and the business of providing package tour, travel, hotel operation and other related services and hotel and leisure-related business. For the six months ended 30th June, 2004, China Strategic reported a turnover of some HK\$107 million and a loss of some HK\$95 million. Since September 2003, China Strategic has become an associate of the Group and its loss has been accounted for by the Group on equity method.

LIQUIDITY AND CAPITAL RESOURCES

The Group adopts a prudent funding and treasury policy with regard to its overall business operations. A variety of credit facilities is maintained to meet its working capital requirements. During the period, the Group obtained new bank loans in the amount of HK\$10 million. The proceeds were used for general working capital purpose. In addition, a loan of HK\$241 million was obtained from a minority shareholder to finance the acquisition of interests in subsidiaries which is repayable after one year. The loans of the Group bear interest at market rates and are with terms of repayment ranging from one year to three years. As at 30th September, 2004, the Group's total borrowings amounted to HK\$794 million with HK\$94 million repayable within one year and HK\$700 million repayable after one year. Cash balances at 30th September, 2004 amounted to HK\$240 million.

主要聯營公司

DOWNER

截至二零零四年六月三十日止年度，Downer分別錄得約3,172,000,000澳元（約17,506,000,000港元）之收入及約82,000,000澳元（約453,000,000港元）之除稅後純利，較截至二零零三年六月三十日止年度分別上升18%及22%。於本期間結束時，本集團持有Downer當時已發行股本約21.2%。

於本期間結束後，本集團已出售其於Downer之全部股權，詳情如下：

- 於二零零四年十一月，根據與本公司於二零零三年四月訂立之獎勵選擇權協議，Downer若干執行人員控制之一間公司已按每股Downer股份2.2澳元向本集團購入5,500,000股Downer股份，總作價約為12,100,000澳元（約72,600,000港元）；及
- 於二零零四年十二月，本集團以每股4.55澳元將其餘約56,200,000股Downer股份出售予獨立第三方。出售產生之收益毛額約為255,800,000澳元（約1,504,000,000港元）。

中策

中策乃一家由本集團持有29.4%權益之香港聯交所上市投資控股公司，透過旗下之附屬公司及聯營公司，中策在內地從事電池製造、物業投資及發展業務，在內地及其他海外國家從事輪胎製造及推廣、提供旅遊團、旅遊、經營酒店及其他相關服務、以及酒店及休閒相關業務。於截至二零零四年六月三十日止六個月，中策錄得營業額約107,000,000港元及虧損約95,000,000港元。中策由二零零三年九月起成為本集團之聯營公司，而本集團亦按權益會計法將中策之虧損入賬。

流動資金及資本來源

本集團就其整體業務營運採納審慎之資金及財務政策，設有多項信貸作為其所需之營運資金。期內，本集團獲10,000,000港元之新造銀行貸款。有關款項已用作一般營運資金。此外，一名少數股東亦提供241,000,000港元之貸款作為收購附屬公司權益之資金，於一年後償還。本集團之貸款按市場息率計息，還款期由一年至三年不等。於二零零四年九月三十日，本集團借款共約794,000,000港元，其中94,000,000港元須於一年內償還，另外700,000,000港元須於一年後償還。於二零零四年九月三十日之現金結餘為240,000,000港元。

As at the period end, all of the Group's borrowings bear interest at floating rates and are denominated in Hong Kong dollars. The Group's gearing ratio was 0.2 which is calculated based on the total bank borrowings of HK\$553 million and the Group's shareholders' funds of HK\$2,758 million.

NUMBER OF EMPLOYEES, REMUNERATION POLICIES AND SHARE OPTION SCHEME

Including the directors of the Group, as at 30th September, 2004, the Group employed a total of about 1,160 full time employees. Remuneration packages comprised of salary and performance based bonus. Details of share option scheme were disclosed in the Company's annual report for the year ended 31st March, 2004. No share options were granted or exercised during the period.

PLEDGE OF ASSETS

As at the period end, certain of the Group's properties and investment securities with an aggregate value of approximately HK\$662 million and the issued shares of certain subsidiaries of the Company and its benefits under certain construction contracts, have been pledged to banks and financial institutions to secure general credit facilities granted to the Group.

CONTINGENT LIABILITIES

As at the period end, the Group has contingent liabilities in respect of outstanding performance bonds on construction contracts of HK\$431 million.

SECURITIES IN ISSUE

As at the period end, there were 1,345,249,019 shares in issue. There was no movement in the issued share capital during the period.

OUTLOOK

Following our divestment from Downer, the Group's engineering and construction service business will be solely conducted through Paul Y. Engineering Group, which is poised to pursue growth strategy in China and overseas markets with particular focus in areas of project management, construction management as well as facility management.

Paul Y. Infrastructure will continue design development of the Yangkou Deep Sea Port with a view to finalise the strategy on target commodities. Master planning of the industrial park on the reclaim land will be completed during 2005 followed by initial marketing for sale of the land bank. It is our intention to acquire mature bulk handling river ports in order to build up a complete transshipment network on the Yangtze River complementing the Yangkou Deep Sea Port. Substantial amount of the Group's resources will be deployed to support this new core focus of the Group.

As a result of the new business focus in Paul Y. Infrastructure, our investment in China Strategic has been classified as non-core, with an intention to divest in the near future.

於期終時，本集團全部借款均按浮動息率計息，並以港元為單位。按銀行借款總額553,000,000港元及本集團之股東資金2,758,000,000港元計算，本集團之資本負債比率為0.2。

僱員數目、酬金政策及購股權計劃

如計及本集團之董事，於二零零四年九月三十日，本集團共聘用約1,160名全職僱員。酬金包括薪金及與表現掛鉤之花紅。購股權計劃之詳情請參閱本公司截至二零零四年三月三十一日止年度之年報。期內概無任何購股權獲授出或行使。

資產抵押

於本期間結束時，本集團總值約662,000,000港元之若干物業及投資證券，以及本公司若干附屬公司之已發行股份連同若干建築合約之收益已抵押予銀行及財務機構，為本集團取得一般信貸融資。

或然負債

於本期間結束時，本集團就仍然有效之建築合約履約擔保書有431,000,000港元之或然負債。

已發行證券

於本期間結束時，本公司有1,345,249,019股已發行股份。期內已發行股本並無任何變動。

展望

減持Downer之投資後，本集團之工程及建築業務將純透過保華建業集團進行。該公司已準備好實行在中國和海外市場之增長策略，尤其是將會集中於項目管理、建築管理以至設施管理方面的發展。

Paul Y. Infrastructure將繼續設計發展洋口深水港，藉以敲定目標商品的策略。設於填海所得土地上的工業園之主規劃工作將於二零零五年內完成，隨之展開出售土地儲備之初步市場推廣。本集團打算收購大宗散貨深水碼頭，以建立位於長江的完備轉運網絡，以配合洋口深水港。本集團將調撥大量資源配合此一新業務方針。

因著Paul Y. Infrastructure之新業務方針，本集團於中策之投資變成非核心，並有意於短期內減持。

It is pleasing to see our balance sheet in a substantial net cash position. The Board intends to consider declaration of a material amount of special dividend. Details of the plans may likely be announced before the end of this financial year.

Barring unforeseeable circumstances, the Group is poised to meet the challenges ahead.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30th September, 2004, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register of the Company required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") in the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange ("Listing Rules") were as follows:

(a) Interests and short positions in the shares, underlying shares and debenture of the Company

Name of director 董事姓名	Capacity 身份	Long position/ short position 好倉／淡倉	Number of shares of the Company held 所持本公司 股份數目	Approximate percentage of the existing issued share capital of the Company 佔本公司現有 已發行股本 概約百分比
Chan Kwok Keung, Charles 陳國強	Interest of controlled corporation/interest of concert party (Note) 受控制法團權益/ 一致行動人士 權益(附註)	Long position 好倉	740,668,056	55.06%
Chan Kwok Keung, Charles 陳國強	Beneficial owner 實益擁有人	Long position 好倉	11,603,952	0.86%
Cheung Hon Kit 張漢傑	Beneficial owner 實益擁有人	Long position 好倉	400	0.00%
Law Man Wah, Conrad 羅文華	Beneficial owner 實益擁有人	Long position 好倉	6,445	0.00%

本集團之資產負債表呈淨顯著現金水平誠可喜。董事局因而考慮宣派大額特別股息。詳細計劃或可於本財政年度末宣布。

撇除不可預見之情況，本集團已是準備好迎接挑戰。

董事於股份、相關股份及債券之權益及淡倉

於二零零四年九月三十日，本公司董事及主要行政人員於本公司或任何相聯法團(定義見證券及期貨條例(「證券及期貨條例」)第十五部)之股份、相關股份及債券中持有必須列入根據證券及期貨條例第352條予以存置之本公司登記冊內或根據香港聯交所證券上市規則(「上市規則」)中上市公司董事進行證券及交易的標準守則(「標準守則」)必須向本公司及香港聯交所申報之權益及淡倉如下：

(a) 本公司股份、相關股份及債券之權益及淡倉

Note:

Dr. Chan Kwok Keung, Charles was deemed to be interested in 740,668,056 shares in the Company by virtue of his shareholding in Chinaview International Limited ("Chinaview"). Galaxyway Investments Limited ("Galaxyway"), a wholly-owned subsidiary of Chinaview, owned approximately 33.58% of the issued ordinary share capital of ITC Corporation Limited ("ITC") which in turn owned the entire issued share capital of ITC Investment Holdings Limited ("ITC Investment"). Hollyfield Group Limited ("Hollyfield"), a wholly-owned subsidiary of ITC Investment, owned these shares.

Pursuant to a loan agreement dated 28th October, 2002 between ITC as borrower and Dr. Chan Kwok Keung, Charles as lender ("Concert Party Agreement"), Dr. Chan Kwok Keung, Charles has interest of concert party in 490,427,231 shares in the Company out of the aforesaid 740,668,056 shares in the Company held by Hollyfield.

(b) Interests and short positions in the shares, underlying shares and debenture of ITC**附註：**

陳國強博士由於擁有 Chinaview International Limited (「Chinaview」) 之股權而被視作擁有 740,668,056 股本公司股份之權益。Galaxyway Investments Limited (「Galaxyway」) 為 Chinaview 之全資附屬公司，並擁有約 33.58% 德祥企業集團有限公司 (「德祥企業」) 已發行普通股股本，而德祥企業繼而擁有 ITC Investment Holdings Limited (「ITC Investment」) 全部已發行股本。ITC Investment 之全資附屬公司 Hollyfield Group Limited (「Hollyfield」) 則擁有該等股份。

根據德祥企業 (作為借款人) 與陳國強博士 (作為貸款人) 於二零零二年十月二十八日訂立之貸款協議 (「一致行動人士協議」)，陳國強博士於上述 Hollyfield 所持之 740,668,056 股本公司股份中之其中 490,427,231 股本公司股份中擁有一致行動人士權益。

(b) 於德祥企業股份、相關股份以及債券之權益及淡倉

Name of director 董事姓名	Capacity 身份	Long position/ short position 好倉／淡倉	Number of underlying shares (in respect of the convertible notes (unlisted equity derivatives)) of ITC held		Approximate percentage of the existing issued ordinary share capital of ITC 佔德祥企業 現有已發行 普通股股本 概約百分比
			Number of ordinary shares of ITC held 所持有德祥企業 之可換股票據 (非上市股本 衍生工具) 之相關股份	所持有德祥企業 之相關股份	
Chan Kwok Keung, Charles 陳國強	Interest of controlled corporation (Note a) 受控制法團權益 (附註 a)	Long position 好倉	219,681,911	-	33.58%
Chan Kwok Keung, Charles 陳國強	Beneficial owner 實益擁有人	Long position 好倉	-	833,333,333 (Note b) (附註 b)	127.36%

Notes:

- a. Dr. Chan Kwok Keung, Charles was deemed to be interested in 219,681,911 ordinary shares in ITC by virtue of his shareholding in Chinaview. Galaxyway, a wholly-owned subsidiary of Chinaview, owned these shares.
- b. Dr. Chan Kwok Keung, Charles owned convertible notes issued by ITC in the principal amount of HK\$250,000,000 carrying rights to convert into 833,333,333 ordinary shares in ITC at an initial conversion price of HK\$0.30 per share, subject to adjustment.

(c) Interests and short positions in the shares, underlying shares and debenture of China Strategic

Name of director 董事姓名	Capacity 身份
Chan Kwok Keung, Charles 陳國強	Interest of controlled corporation (Note) 受控制法團權益 (附註)

Note:

Dr. Chan Kwok Keung, Charles was deemed to be interested in 258,819,795 shares in China Strategic by virtue of his shareholding in Chinaview, which in turn, indirectly owned approximately 33.58% of the issued ordinary share capital of ITC. ITC indirectly owned approximately 55.06% of the issued share capital of the Company. Calisan Developments Limited, an indirect wholly-owned subsidiary of the Company, owned these shares.

ITC and China Strategic are associated corporations, within the meaning of Part XV of the SFO, of the Company.

Save as disclosed above, at 30th September, 2004, none of the directors or chief executives of the Company had any interest and short position in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) as recorded in the register of the Company required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURE

At no time during the period 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 debt securities including debentures of, the Company or any other body corporate, and none of the directors, chief executives or their spouse or children under the age of 18, had any right to subscribe for securities of the Company, or had exercised any such right during the period.

附註：

- a. 陳國強博士由於擁有Chinaview之股權而被視作擁有219,681,911股德祥企業普通股權益。該等股份由Chinaview之全資附屬公司Galaxyway所擁有。
- b. 陳國強博士擁有由德祥企業發行本金額為250,000,000港元之可換股票據，附有可按初步換股價每股0.30港元（可予調整）轉換成833,333,333股德祥企業普通股之權利。

(c) 於中策之股份、相關股份及債券之權益及淡倉

Long position/ short position 好倉／淡倉	Number of shares of China Strategic held 所持中策股份數目	Approximate percentage of the existing issued share capital of China Strategic 佔中策現有已發行 股本概約百分比
Long position 好倉	258,819,795	29.36%

附註：

陳國強博士由於擁有Chinaview之股權而被視作擁有258,819,795股中策股份之權益。Chinaview繼而間接擁有約33.58%德祥企業已發行普通股本。德祥企業間接擁有約55.06%本公司已發行股本。本公司間接全資附屬公司Calisan Developments Limited擁有該等股份。

德祥企業及中策為本公司之相聯法團（定義見證券及期貨條例第十五部）。

除上文所披露者外，於二零零四年九月三十日，各董事或本公司主要行政人員概無於本公司或其任何相聯法團（定義見證券及期貨條例第十五部）之股份、相關股份或債券中擁有任何必須列入根據證券及期貨條例第352條予以存置之本公司登記冊內或根據標準守則必須向本公司及香港聯交所申報之權益及淡倉。

董事購買股份或債券之權利

本公司或其任何附屬公司於期內並未訂立任何安排，使本公司董事從購買本公司或任何其他公司之股份或債務證券（包括公司債券）而獲益，而董事、主要行政人員或彼等之配偶或未滿十八歲之子女於期內概無任何可認購本公司證券之權利，亦無行使任何該等權利。