

CHAIRMAN'S STATEMENT

The board of directors ("Board") of Paul Y. - ITC Construction Holdings Limited (the "Company") are pleased to present the interim report and condensed consolidated financial statements of the Company and its subsidiaries (the "Group") for the six months ended 30th September, 2002. The consolidated income statement, consolidated cash flow statement and consolidated statement of changes in equity of the Group for the six months ended 30th September, 2002, and the consolidated balance sheet of the Group as at 30th September, 2002, all of which are unaudited and condensed, along with selected explanatory notes, are set out on pages 17 to 35 of this report. This interim report has been reviewed by the Company's auditors and audit committee.

INTERIM DIVIDEND

The Board have resolved to pay an interim dividend of 1 cent per share for the six months ended 30th September, 2002 (2001: 1 cent per share) to shareholders whose names appear on the register of members of the Company as at the close of business on 21st February, 2003 (the "Record Date"). The interim dividend is expected to be paid to shareholders by post on or around 21st March, 2003.

The Board have also proposed that the above interim dividend should be satisfied by way of a scrip dividend of shares, with an option to elect cash in respect of part or all of such dividend, subject to the Listing Committee of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") granting listing of and permission to deal in the new shares to be issued. The market value of the shares to be issued under the scrip dividend proposal will be fixed by reference to the average of the closing prices of the Company's shares for the five consecutive trading days ending the Record Date less a discount of five per cent. of such average price or the par value of shares, whichever is the higher. A circular giving full details of the scrip dividend proposal and a form of election will be sent to shareholders.

主席報告書

保華德祥建築集團有限公司(「本公司」)董事局(「董事局」)欣然提呈本公司及其附屬公司(「本集團」)截至二零零二年九月三十日止六個月之中期報告及簡明綜合財務報告。本集團截至二零零二年九月三十日止六個月之綜合收益表，綜合現金流動表及綜合股本變動表及本集團於二零零二年九月三十日之綜合資產負債表均未經審核及屬簡明性質，並只附載部份說明性之附註，全部載於本報告第17至第35頁。本公司之核數師及審核委員會已審閱本中期報告。

中期股息

董事局已決議向於二零零三年二月二十一日(「記錄日期」)辦公時間結束時名列本公司股東名冊之股東派付截至二零零二年九月三十日止六個月之中期股息每股港幣1仙(二零零一年：每股港幣1仙)。中期股息預計於二零零三年三月二十一日左右以郵寄方式向股東派付。

董事局並建議，在香港聯合交易所有限公司(「聯交所」)上市委員會批准將予發行之新股上市及買賣之情況下，上述中期股息可按以股代息方式派付，且可選擇以現金收取全部或部份該等股息。根據以股代息建議將予發行之股份之市值將按本公司股份於截至記錄日期止連續五個交易日之平均收市價減該平均價或股份面值(以較高者為準)5%之折讓而釐定。一份載有以股代息建議全部詳情之通函及選擇表格，將向股東寄發。

CLOSE OF REGISTERS OF MEMBERS AND WARRANTHOLDERS

The registers of members and warrantholders of the Company will be closed from 19th February, 2003 to 21st February, 2003, both dates inclusive, during which period no share or warrant transfers shall be effected. In order to qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates, and all duly completed and signed subscription forms in respect of warrants of the Company accompanied by the amount due on subscription, must be lodged with the Company's share registrars in Hong Kong, Secretaries Limited at 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong for registration by no later than 4:00 p.m. on 18th February, 2003 (with effect from 13th January, 2003, the address of Secretaries Limited will be changed to Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial performance and positions

For the six months period under review, the Group's consolidated turnover decreased by 19% to approximately HK\$1,983 million when compared with last corresponding period. It is mainly due to the reduction of revenue generated from the civil engineering sector.

Due to the continued severe competition in the construction market in Hong Kong and reduced margins from construction projects in the recent years, the Group incurred a loss from operations of HK\$43 million as compared with a profit of HK\$37 million for the same period of last year. With the reduced interest rates, there were savings in finance costs by HK\$8 million to some HK\$16 million for the period. Net investment expenses of about HK\$28 million comprised mainly holding losses of some HK\$21 million owing to the drop in market prices of certain listed investments, HK\$16 million revaluation deficit of the Group's investment properties as based on independent professional valuations as at 30th September, 2002 and net off with interest income of some HK\$8 million.

暫停辦理股東及認股權證持有人登記手續

本公司將於二零零三年二月十九日至二零零三年二月二十一日期間(首尾兩日包括在內)暫停辦理股東及認股權證持有人登記手續,於該段期間將不會登記任何股份或認股權證之轉讓。如欲獲派中期股息,所有股份過戶文件連同有關股票以及所有正式填妥及簽署之本公司認股權證認購表格連同認購應繳款項,最遲須於二零零三年二月十八日下午四時前交回本公司之香港股份過戶登記處秘書商業服務有限公司以供登記,地址為香港干諾道中111號永安中心5樓。(由二零零三年一月十三日起,秘書商業服務有限公司之地址將會遷至香港灣仔告士打道56號東亞銀行港灣中心地下)。

管理層討論及分析

財務表現及狀況

於回顧六個月期間,本集團之綜合營業額降至約1,983,000,000港元,與去年同期比較,減幅為19%,主要是由於土木工程業務之收入減少。

由於香港建築工程業內之競爭繼續處於白熱化,導致近年來建築工程項目之邊際溢利下降,本集團因此錄得43,000,000港元之業務虧損,而去年同期則錄得37,000,000港元之溢利。隨着利率下調,期內錄得之融資成本約為16,000,000港元,成功節省8,000,000港元。投資開支淨額約為28,000,000港元,主要包括所持若干上市投資之市場價格下降而導致錄得未變現虧損21,000,000港元、本集團之投資物業錄得16,000,000港元之重估虧絀(根據二零零二年九月三十日現況下進行之獨立專業估值計算),及抵銷利息收入約8,000,000港元。

Share of results of associates and jointly controlled entities registered a profit of about HK\$76 million, showing an increase which was mainly attributable to the contribution from Downer EDI Limited ("Downer") since the Group's share of Downer's results for the current period is calculated based on its results for the six months from 1st January, 2002 to 30th June, 2002 whilst the comparative amount for the same period of last year was calculated based on its results for the three months from 1st April, 2001 to 30th June, 2001. Taxation of some HK\$18 million represented mainly the overseas tax in respect of dividend received from and share of income tax of Downer. Loss for the period was HK\$32 million and basic loss per share was 3.1 cents.

When compared with the Group's financial positions as at last year end, total assets of the Group decreased by 10% to some HK\$5,593 million and net current assets decreased by 37% to some HK\$295 million. Current assets maintained at 1.2 times of current liabilities. Net debts to equity ratio increased slightly by 0.06 to 0.29 times at this period end. As a result of the share of Downer's decrease in exchange reserve of some HK\$7 million, the loss of HK\$32 million and a dividend of HK\$10 million for this period, shareholders' funds decreased by 2% to HK\$2,946 million.

OPERATIONS

Contracting and construction materials

During the period, the Group secured new contracts with an aggregate attributable value of approximately HK\$1,351 million of which HK\$1,309 million came from private sector. The new contracts comprised some HK\$1,236 million of building construction contracts and some HK\$115 million of specialist works.

攤佔聯營公司及共同控制公司業績錄得約76,000,000港元之溢利，此增長乃主要來自Downer EDI Limited (「Downer」)之貢獻，其因本集團攤佔Downer在期內之業績乃根據Downer由二零零二年一月一日起至二零零二年六月三十日止六個月之業績計算，而去年同期數字則根據Downer由二零零一年四月一日起至二零零一年六月三十日止三個月之業績計算。約18,000,000港元之稅項主要因收取Downer派發之股息而引致之海外稅項及攤佔其所得稅款而產生。期內虧損為32,000,000港元，而每股基本虧損則為港幣3.1仙。

相較本集團於上年度結束時之財政狀況，本集團之總資產輕微減少10%，降低至約5,593,000,000港元。流動資產淨值減少37%，降低至約295,000,000港元。流動資產維持在流動負債之1.2倍。於是段期間結束時，資產負債(淨額)比率微增0.06倍，上升至0.29倍。因本集團攤佔Downer之權益在滙兌儲備減少約7,000,000港元、期內虧損32,000,000港元及派發10,000,000港元之股息，股東資金減少2%，降低至約2,946,000,000港元。

業務

合約工程及建築材料

本集團在期內取得之新工程合約總值約1,351,000,000港元，其中約1,309,000,000港元為私營機構工程合約。該等新工程合約包括約1,236,000,000港元之樓宇建築工程合約，另約115,000,000港元則為專項工程合約。

OPERATIONS (continued)

Contracting and construction materials (continued)

Contracts on hand at this period end decreased by 8% to approximately HK\$13,453 million while value of work remaining also decreased by 6% to approximately HK\$5,679 million when compared with last financial year end. Profile of contracts on hand at the end of this period is as follows:

業務 (續)

合約工程及建築材料 (續)

本期間結束時，持有工程合約價值相較上一個財政年度結束時減少8%至約13,453,000,000港元，而尚餘工程價值相較上一個財政年度結束時亦減少6%至約5,679,000,000港元。本期間結束時之持有合約資料如下：

		Value of contracts on hand as at 30/9/2002 於二零零二年 九月三十日 持有工程合約價值 HK\$' million 百萬港元	Value of work remaining as at 30/9/2002 於二零零二年 九月三十日 餘下工程價值 HK\$' million 百萬港元
Building construction	樓宇建築工程	11,323	4,713
Civil engineering	土木工程	1,199	316
Specialist works	專項工程	931	650
		13,453	5,679

OPERATIONS (continued)**Contracting and construction materials (continued)**

Some of the major contracts are as follows:

業務 (續)**合約工程及建築材料 (續)**

部份主要合約如下：

		Value of contracts on hand as at 30/9/2002 於二零零二年 九月三十日 持有工程合約價值 HK\$' million 百萬港元	Value of work remaining as at 30/9/2002 於二零零二年 九月三十日 餘下工程價值 HK\$' million 百萬港元
Cheung Kong Center, Central Cyberport Development (Contract R1a and R1b)	中環長江集團中心 數碼港發展工程 (R1a及R1b合約)	2,890	116
Cyberport Development (Contract C1)	數碼港發展工程 (C1合約)	2,558	2,471
Superstructure of Tsing Yi Hotel (Phase 2)	青衣酒店上蓋工程 (第二期)	1,131	227
The Victoria Towers, Tsim Sha Tsui	尖沙咀港景峰	1,020	967
Lei Yue Mun Estate, Phase 1	鯉魚門邨 (第一期)	951	99
Site Formation for Lamma Power Station Extension	南丫島發電站擴建計劃之 地盤平整工程	796	167
Tseung Kwan O Area 73A (Phase 3)	將軍澳73A地段 (第三期)	724	224
Sheraton Hong Kong Hotel & Towers Guestroom Refurbishment	香港喜來登酒店客房翻新工程	490	288
Others	其他	232	182
		2,661	938
		13,453	5,679

OPERATIONS (continued)

Contracting and construction materials (continued)

Subsequent to the period end, the Group secured further new contracts with an aggregate attributable value of approximately HK\$470 million, which comprised some HK\$287 million of building construction contracts from private sector and some HK\$183 million of civil engineering contracts from public sector.

The gross value of construction work in Hong Kong continued to shrink. The Government has been revising its housing policy, in particular the cutback in flat production under the Home Ownership Scheme, such that considerable reduction was recorded in the building construction work in public sector over the past two years. With its well established credibility, experience and technical capabilities, the Group has managed to secure additional new building construction contracts from private sector to compensate the loss in public sector. Nevertheless, since same numbers of contractors were competing for lesser projects, the severe competition had inevitably lowered the Group's average margin from the contracting business.

In Hong Kong, the reduction in turnover mainly came from civil engineering activities since there were no new contracts secured in this segment during the period. Due to severe competition in the market, only building construction work achieved a positive contribution while civil engineering and specialist works incurred losses.

As a result of the significant reduction in its scale of operation, the construction materials division managed to narrow down its operating loss to HK\$9 million as compared with a loss of HK\$17 million for the comparable period last year.

During the period, the Group purchased a 100% interest in an industrial complex situated in Yuen Long for a consideration of HK\$103 million. The property is currently designated for the use of pre-cast concrete product manufacturing.

業務 (續)

合約工程及建築材料 (續)

本期間結束後，本集團取得之其他新合約總值約為470,000,000港元，其中約287,000,000港元為私營機構之樓宇建築工程合約，另183,000,000港元為公營機構之土木工程合約。

香港之建築工程項目總值持續下降。政府一直致力修訂房屋政策，特別是削減根據居者有其屋計劃擬興建之住宅單位，因此公營機構在過往兩年內大幅削減樓宇建築工程。憑着良好信譽、豐富經驗及優良技術，本集團在此逆景之中仍然能夠在私營機構方面取得新的樓宇建築工程合約，以補償在公營機構方面所減少。儘管如此，鑑於承建商數目不變，而建築項目則日漸減少，在僧多粥少，競爭劇烈之情況下，本集團之建築工程業務之平均邊際溢利亦無可避免地下降。

本集團在香港之營業額下降之主要原因為在期內並無取得任何新的土木工程合約。鑑於市場競爭劇烈，只有樓宇建築工程能作出正面之貢獻，而土木工程及專項工程均錄得虧損。

由於業務規模大幅收縮，建築材料部門之經營虧損減少至9,000,000港元，而去年同期之比較數字則為虧損17,000,000港元。

本集團在期內以103,000,000港元之代價購入一項位於元朗，作工業用途之綜合物業之100%權益。該物業現時被指定用作製造預製混凝土產品之場地。

OPERATIONS (continued)

Property, hotel and catering operations

Total value of the property portfolio, excluding those self-used properties, amounted to some HK\$1,261 million as at the period end, equivalent to 23% of the total assets of the Group. Included in the property portfolio are Paul Y. Centre, the Group's headquarter in Kwun Tong, Best Western Rosedale on the Park in Causeway Bay, IN-Zone in Wanchai and certain investment properties in the PRC.

Although the overall rental rates of the investment properties had been reduced, occupancy rate was maintained at the satisfactory level in which Paul Y. Centre remained at an occupancy rate at around 95% at the period end. IN-Zone achieved an improvement which has been 97% let at the period end. Following the completion of sale of the few residual residential flats of Cathay Lodge, the Group had successfully realise all its properties held for resale in cash. Hotel and catering business continued to recover from the 911 Crisis and reduced its operating loss to HK\$2 million.

In July 2002, the Group has entered into an agreement to dispose of its hotel property and operation for a consideration of HK\$250 million to Rosedale Hotel Group Limited ("RHG", formerly China Land Group Limited), an associate of China Strategic Holdings Limited ("China Strategic") after the completion of the disposal. The Board believes that after the disposal, the Group can focus more on its principal activities which include construction, property development and investment and manufacturing and trading of construction materials. In addition, the Board also considers that the investment and operation of hotel can be more effectively managed by RHG which will focus its activities in this line of business and the Group will therefore benefit through its investment in China Strategic. The disposal was completed on 2nd December, 2002.

During the period, the Group entered into land use right grant contracts in two parcels of land in Taishan City, Guangdong of land premium of around HK\$42 million. The properties, which can be developed into commercial, finance and residential use, shall be delivered to the Group in vacant possession and cleared site state by not later than April 2003 and November 2003 respectively. At 30th September, 2002, the land use right certificates have not been obtained.

業務 (續)

物業、酒店及餐飲業務

本期間結束時，物業組合總值(不包括自用物業)約共達1,261,000,000港元，相等於本集團總資產之23%。物業組合包括本集團位於觀塘之總部保華企業中心、位於銅鑼灣之珀麗酒店、位於灣仔之國泰新域及位於中國之若干投資物業。

雖然期內投資物業之整體租金下調，幸而佔用率尚能維持在滿意水平，本期間結束時，保華企業中心之佔用率維持在95%左右，而國泰新域之出租率則增至97%。在完成出售國泰新宇餘下之數個住宅單位後，本集團成功將全部持作轉售用途之物業出售套現。酒店及餐飲業務繼續從911事件之谷底回升，而經營虧損亦減至2,000,000港元。

於二零零二年七月，本集團訂立一項協議，以250,000,000港元之代價向中策集團有限公司(「中策」)之一間聯營公司(在是項出售完成後)珀麗酒店集團有限公司(「珀麗酒店集團」，前稱中國置地集團有限公司)出售酒店物業及業務。董事局相信，在是項出售後，本集團能更集中力量經營本身之主要業務，包括建築、物業發展及投資與及製造及買賣建築材料。此外，董事局亦認為，珀麗酒店集團能更有效地經營酒店投資及管理業務，並會全力在此行業發展。因此，本集團透過於中策之投資亦會間接獲得裨益，是項出售已於二零零二年十二月二日完成。

本集團在期內就兩幅位於廣東台山市之土地訂立土地使用權合約，涉及之地價約共42,000,000港元。該等物業可作商業、金融及住宅發展用途，並將會分別在二零零三年四月及二零零三年十一月之前以交吉及平整地盤之形式向本集團交付。於二零零二年九月三十日，有關之土地使用權證尚未批出。