

Dear Shareholders,

It is my pleasure to present to you the annual report of Paul Y. – ITC Construction Holdings Limited for the financial year ended 31st March, 2005.

The Company recorded solid financial results for the year, with profit after tax rising by 220% to approximately HK\$523 million and earnings per share rising by 164% to HK38.6 cents per share. We have also declared very attractive total cash dividends of HK\$0.73 per share to our shareholders.

This has been a year of transformation of your Group. Following the divestment of Downer, our engineering and construction service businesses will be conducted solely through Paul Y Engineering Group Limited which is pursuing growth strategy in different geographical markets with a primary focus on management contracting and facilities management in Mainland China.

Over the past four years, the Group has achieved a complete re-positioning of its core businesses. It is now in a net cash position to focus on the rapidly developing ports and infrastructure sector in Mainland China and looks forward to attractive growth prospects driven by the sector.

The Yangkou Port project is in line with the Group's strategy of focusing on ports targeting commodities such as oil and gas, coal, minerals and chemicals. While continuing with the development of this deep-sea port project, the Group intends to acquire mature bulk handling river ports in order to build up a complete trans-shipment network on the Yangtze River to complement the same. It is anticipated that substantial amount of the Group's resources will be deployed to support this new core focus.

To signify the new business focus of the Group, subject to shareholders' approval at the forthcoming annual general meeting the Company's name will be changed to "PYI Corporation Limited", with the adoption of the Chinese name "保華集團有限公司" for identification purpose.

The Board has also initiated reform to enhance its independence. On 22nd July 2005, Dr. Chan Kwok Keung, Charles stepped down as Chairman and was succeeded by myself; whereas Mr. Chan Fut Yan stepped down as Managing Director and was succeeded by Mr. Lau Ko Yuen, Tom. Three existing executive directors, namely Mr. Chan Fut Yan, Ms. Chau Mei Wah, Rosanna and Mr. Cheung Hon Kit and a non-executive director, Mr. Cheung Ting Kau, Vincent will retire at the Company's forthcoming annual general meeting. They have all informed the Board of their intention not to seek, and do not offer themselves for, re-election.

As the new Chairman, I am entrusted with the important task of initiating and implementing such further measures to strengthen an independently governed board and to align the Group with prevailing corporate governance practices and standards.

Corporate governance is a continuous process which calls for dedicated efforts and timely response to evolving changes and developments in regulations and practices. Setting it as one of our priorities, the Group is committed to developing and maintaining sound and sensible corporate governance practices and standards appropriate with its growth.

I would like to take this opportunity to express my appreciation to Dr. Charles Chan and Mr. Chan Fut Yan for their tremendous leadership of the Company as Chairman and Managing Director respectively since 1993, and to the retiring directors for their valuable contribution to the Company throughout the past years. I would also like to thank shareholders for their support, the management and staff for their dedicated efforts and loyalty as well as the Group's clients, consultants and partners for all their valuable assistance offered during this past year.

Yours faithfully,

**Dr. Chow Ming Kuen, Joseph OBE, JP**  
*Chairman*

Hong Kong, 22nd July, 2005