



ITC CORPORATION LIMITED

(Incorporated in Bermuda with limited liability)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2002

RESULTS

The board of directors (the “Board”) of ITC Corporation Limited (the “Company”) announces the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30th September, 2002, together with comparative figures for the corresponding period in 2001. The interim results for the six months ended 30th September, 2002 are not audited, but has been reviewed by the auditors, Deloitte Touche Tohmatsu in accordance with the Statement of Auditing Standards 700 “Engagements to Review Interim Financial Reports” issued by the Hong Kong Society of Accountants and the Audit Committee of the Company.

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30th September,	
		2002	2001
	<i>Notes</i>	HK\$’000	HK\$’000
		(unaudited)	(unaudited)
Turnover	3	13,725	23,535
Other operating income		21,100	1,756
Changes in inventories of finished goods		149	123
Raw materials and consumables used		(2,826)	(1,850)
Staff costs		(7,503)	(7,322)
Depreciation and amortisation		(947)	(872)
Other operating expenses		(10,977)	(6,437)
Gain on disposal of other investments		617	–
Impairment loss recognised on investment securities	4	(16,813)	–
Unrealised (loss) gain on valuation of other investments		(41)	1,621
		<hr/>	<hr/>
(Loss) profit from operations		(3,516)	10,554
Finance costs		(17,461)	(28,207)
Gain arising from dilution of interests in associates		–	2,122
Share of results of associates		(67,767)	16,635
		<hr/>	<hr/>
(Loss) profit before taxation		(88,744)	1,104
Taxation	5	(10,462)	(8,061)
		<hr/>	<hr/>
Loss for the period		(99,206)	(6,957)
		<hr/> <hr/>	<hr/> <hr/>
Loss per share	6		
Basic (cents)		(17.2)	(2.8)
		<hr/> <hr/>	<hr/> <hr/>
Diluted (cents)		(17.3)	(2.9)
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Notes:

1. Basis of preparation

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with Statement of Standard Accounting Practice (“SSAP”) 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants.

2. Principal accounting policies

The condensed financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain properties and investment in securities.

The accounting policies adopted are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31st March, 2002, except as described below:

In the current period, the Group adopted, for the first time, a number of new and revised SSAPs issued by the Hong Kong Society of Accountants, which has resulted in the adoption of the following revised accounting policy. The adoption of these SSAPs has no material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment is required.

In addition, the adoption of the revisions to SSAP 1 “Presentation of financial statements” and SSAP 15 “Cash flow statements” has resulted in a change in the format of presentation of the statement of changes in equity and the cash flow statement, respectively.

Foreign currencies

The revisions to SSAP 11 “Foreign currency translation” have eliminated the choice of translating the income statements of overseas subsidiaries and associates at the closing rate for the period. They are now required to be translated at an average rate. Accordingly, on consolidation, the assets and liabilities of the Company’s subsidiaries and the Group’s associates are translated at exchange rates prevailing on the balance sheet date. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group’s translation reserve. Such translation differences are recognised as income or as expenses in the period in which the subsidiary or associate is disposed of. This change in accounting policy has not had any material effect on the results for the current or prior accounting periods.

3. Turnover and segmental information

Business segments

For management purposes, the Group is currently organised into two operating divisions – investment and finance, and sale of building materials and machinery. These divisions form the basis on which the Group reports its primary segment information.

An analysis of the Group's turnover and contribution to operating results by business segment is presented below:

	Six months ended 30th September, 2002			
	Investment and finance	Sale of building materials and machinery	Eliminations	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover				
External	9,348	4,377	–	13,725
Inter-segment	569	–	(569)	–
	<u>9,917</u>	<u>4,377</u>	<u>(569)</u>	<u>13,725</u>
Result				
Segment result	<u>1,184</u>	<u>699</u>	<u>–</u>	1,883
Unallocated corporate expenses				<u>(5,399)</u>
Loss from operations				(3,516)
Finance costs				(17,461)
Share of results of associates	(67,767)	–	–	<u>(67,767)</u>
Loss before taxation				(88,744)
Taxation				<u>(10,462)</u>
Loss for the period				<u>(99,206)</u>

	Six months ended 30th September, 2001			
	Investment and finance <i>HK\$'000</i>	Sale of building materials and machinery <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Turnover				
External	20,423	3,112	–	23,535
Inter-segment	699	–	(699)	–
	<u>21,122</u>	<u>3,112</u>	<u>(699)</u>	<u>23,535</u>
Result				
Segment result	<u>16,398</u>	<u>148</u>	<u>–</u>	16,546
Unallocated corporate expenses				<u>(5,992)</u>
Profit from operations				10,554
Finance costs				(28,207)
Gain arising from dilution of interests in associates	2,122	–	–	2,122
Share of results of associates	16,635	–	–	<u>16,635</u>
Profit before taxation				1,104
Taxation				<u>(8,061)</u>
Loss for the period				<u>(6,957)</u>

Inter-segment sales are charged at prevailing market rate for both periods.

No geographical analysis is provided as less than 10% of the consolidated revenue and less than 10% of the consolidated (loss) profit from operations of the Group are attributable to markets outside Hong Kong.

4. Impairment loss recognised on investment securities

During the period, the Group received certain interests in a listed investment as repayment of the shareholder's loan advanced to an associate. As at 30th September, 2002, the directors estimated that the recoverable amount of the listed investment held was its net market selling price and an impairment loss on that investment security of approximately HK\$17,961,000) has been recognised in the condensed financial statements in the current period.

5. Taxation

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group had no assessable profit for the period. The charge for each of the six months ended 30th September, 2002 and 30th September, 2001 represents the Group's share of tax on the results of associates.

6. Loss per share

The calculation of the basic and diluted loss per share is based on the following data:

	Six months ended 30th September,	
	2002	2001
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss for the period	(99,206)	(6,957)
Dividend for preference shares	(9,245)	(9,245)
Loss for the purposes of basic loss per share	(108,451)	(16,202)
Effect of dilutive potential ordinary shares:		
Adjustment to the share of results of associates based on dilution of their earnings per share	(883)	(967)
Loss for the purposes of diluted loss per share	(109,334)	(17,169)
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purposes of basic loss per share and diluted loss per share	630,960,774	584,485,364

The convertible notes and share options are anti-dilutive as the exercise of these convertible notes and share options would result in a decrease in loss per share for both periods.

INTERIM DIVIDEND

On the basis of the accounts, the Board has resolved not to pay interim dividend for the six months ended 30th September, 2002 (2001: NIL).

Preference share dividend on the 267,980,000 compulsorily convertible cumulative preference shares at HK\$0.069 per share per annum has not been accrued for the period under review.

BUSINESS REVIEW AND OUTLOOK

Results and financial highlights

The results of the Group during the six months ended 30th September, 2002 are summarised below:

- Consolidated turnover was HK\$13.7 million, a decrease of 41.7% as compared to the last corresponding period of HK\$23.5 million. The decrease in turnover was mainly due to the decrease in interest income resulting from the drop in interest rate.
- Loss from operations was HK\$3.5 million, as compared with the profit of HK\$10.6 million for the last corresponding period mainly due to the impairment loss recognised on investment securities.
- Loss for the period increased to HK\$99.2 million, as compared to the loss of HK\$7.0 million for the last corresponding period mainly due to the impairment loss recognised on investment securities and share of losses of associates.
- Basic loss per ordinary share for the period was HK\$0.172 (2001: loss per share of HK\$0.028).
- Current ratio was 0.37, a decrease of 19.6% as compared to 0.46 as at 31st March, 2002.
- Total assets of the Group decreased by 3.8% to HK\$2,035.3 million and shareholders' funds decreased by 6.6% to HK\$1,391.0 million, as compared with the total assets and shareholders' funds as at 31st March, 2002.

Review of operations

During the six months ended 30th September, 2002, the Group continued to hold significant interests, both directly or indirectly, in a number of companies listed in Hong Kong, Canada, Australia, Singapore and the United States and also high potential unlisted investments pursuant to its long term strategy of exploring potential investments and enhancing the value of its strategic investments by active participation in or close liaisons with the management of the companies invested by the Group. As at 30th September, 2002, the Group had the following strategic investments:

Listed strategic investments directly held

Paul Y. - ITC Construction Holdings Limited (“Paul Y. - ITC”)

The Paul Y. - ITC group’s principal business includes, building construction, civil engineering, specialist works, property development and investment, and manufacturing and trading of construction materials. Paul Y. - ITC also holds 36.6% interest in Downer EDI Limited and 14.5% interest in China Strategic Holdings Limited as strategic investments. For the six months ended 30th September, 2002, Paul Y. - ITC reported a consolidated loss for the period of HK\$31.8 million and its after tax contribution to the Group was a loss of HK\$13.5 million.

Hanny Holdings Limited (“Hanny”)

The Hanny group’s principal business includes, inter alia, the manufacture, distribution and marketing of data storage media (primarily floppy disks, CD-R and CD-RW) and the distribution and marketing of computer accessories, storage media drives, scanners, audio and video cassettes, minidisks, household electronic products and telecommunication accessories, through its core *Memorex*® business, and securities trading. Hanny also holds strategic investment in Provisions Suppliers Corporation Limited. For the six months ended 30th September, 2002, Hanny reported a consolidated loss for the period of HK\$144.9 million and its after tax contribution to the Group was a loss of HK\$40.6 million.

Burcon NutraScience Corporation (“Burcon”)

Burcon is a research and development company specialised in developing its plant protein extraction and purification technology. The goal of Burcon’s research is to develop its patented process to utilise inexpensive oilseed meals for the production of purified plant proteins that exhibit certain nutritional, functional or nutraceutical profiles. Burcon is currently focusing its efforts in developing the world’s first commercial canola proteins, namely Puratein® and Supertein™, with unique functional and nutritional profiles. Since Burcon was still in the stage of research and development of its business, its results and contribution to the Group for the six months ended 30th September, 2002 were not significant.

Star East Holdings Limited (“Star East”)

Star East is principally engaged in entertainment-related business with the goal to become a fully integrated entertainment and media conglomerate in the Asia Pacific region. Its major business includes the production, distribution and licensing of movies, television drama series, documentary and infotainment programmes; franchising and operation of “Planet Hollywood” and “Star East” theme restaurants in Asia Pacific region; strategic investment in M Channel Corporation Limited; talent management, music production, event marketing and property investment. For the six months ended 30th September, 2002, Star East reported a consolidated loss for the period of HK\$76.7 million and its after tax contribution to the Group was a loss of HK\$19.0 million.

M Channel Corporation Limited (“M Channel”) (formerly 36.com Holdings Limited)

M Channel is principally engaged in the out-of-home audio and video media business. Out-of-home audio and video advertising is proven to be an effective way of advertising that offers various advantages to advertisers such as production flexibility and cost effectiveness in comparison with television, newspapers and magazines. M Channel has expanded its client base to cover different business sectors, by installing multi-media telecasting systems in buses, public light buses and fixed locations. For the period under review, an impairment loss of HK\$16.8 million was recognised by the Group on its investment in M Channel.

Listed strategic investments indirectly held

Downer EDI Limited (“Downer”)

Downer is the second largest Australian listed engineering, infrastructure and resource services company. The Downer group is a value-adding service provider with focus on the Australian, New Zealand and Asian markets. The Downer group has been increasingly a preferred supplier in the provision of outsourced services and the management of assets for both public and private infrastructure, comprising mining, power, rail, road, and telecommunications.

Provisions Suppliers Corporation Limited (“PSC”)

The principal activities of PSC are those relating to the supply of household consumer products. The subsidiaries of PSC are principally engaged in investment holding; supply of agency products to supermarkets, hotels, institutions and provision shops; marketing and distribution of chemical products; and supply of provisions and household products. PSC also manages a well-established network of franchise stores and possesses various brand names.

China Strategic Holdings Limited (“China Strategic”)

China Strategic is an investment holding company and the subsidiaries of which are principally engaged in the business of tire manufacturing; manufacturing, retailing and distribution of Chinese medicine, western pharmaceuticals and health food under the brand names of Tung Fong Hung and Jean-Marie; and also investment in infrastructure projects.

Sing Pao Media Group Limited (“Sing Pao Media”)

The Sing Pao Media group is principally engaged in the printing media business with publications such as Sing Pao Daily News and Wide Angle magazine. Sing Pao Media group also provides extensive news and entertainment content and related services through its websites, singpao.com and stareastnet.com.

Rosedale Hotel Group Limited (“Rosedale Hotel”) (formerly China Land Group Limited)

Rosedale Hotel is principally engaged in hotel operations, property trading and development in the PRC. Upon completion of the group reorganisation on 2nd December, 2002, Rosedale Hotel continues its principal activities with an emphasis on hotel operations and investments, and other leisure-related business.

China Enterprises Limited (“China Enterprises”)

China Enterprises is one of the largest tire manufacturers in the PRC. China Enterprises manufactures and sells tires and other rubber products in both the PRC and overseas through its sino-foreign joint ventures in the PRC. To diversify away from being over dependence on a single vertical business, China Enterprises continues to seek other investment opportunities and takes an initial step in investing travel related business by acquiring a substantial interest in Ananda Wing On Travel (Holdings) Limited.

Australia Net.Com Limited (“Australia Net”)

Given the substantial financial resources, Australia Net continues to look for strategic investment opportunities as they arise so as to maximise return on its capital resources.

Dong Fang Gas Holdings Limited (“Dong Fang Gas”) (formerly Companion Building Material International Holdings Limited)

Apart from the existing operation in the ceramic tile business, Dong Fang Gas has dedicated to the development of natural gas business in the PRC which, in its view, has tremendous business potential and is under active growth.

Ananda Wing On Travel (Holdings) Limited (“Ananda”)

The Ananda group is principally engaged in the provision of package tours, transportation services and travel-related business. “Wing On Travel”, being a business name used by the Ananda group, is recognised as the leader in Hong Kong outbound travel industry. The Ananda group is a well-known expert in the travel industry having extensive experience in marketing and promoting tour business with far-reaching global network and connections in tour operation.

The Group’s interests in listed strategic investments are summarised below:

Listed strategic investments directly held

Name of investee company	Place of listing	Shareholding percentage	
		As at 30th September, 2002	As at the date of this announcement
Paul Y. - ITC	Hong Kong Stock Exchange	42.6%	51.1%
Hanny	Hong Kong Stock Exchange	28.3%	28.3%
Burcon	TSX Venture Exchange	26.0%	26.0%
Star East	Hong Kong Stock Exchange	25.9%	25.9%
M Channel	The Growth Enterprise Market of the Hong Kong Stock Exchange	26.6% <i>Effective interest (Note a)</i>	26.7% <i>Effective interest (Note a)</i>

Listed strategic investments indirectly held

Name of investee company	Place of listing	Effective interest	
		As at 30th September, 2002	As at the date of this announcement
Downer	Australian Stock Exchange	15.7%	18.7%
	New Zealand Stock Exchange	(Note b)	(Note b)
PSC	Singapore Exchange Securities Trading Limited	7.8% (Note c)	7.8% (Note c)
China Strategic	Hong Kong Stock Exchange	10.3% (Note d)	11.6% (Note d)
Sing Pao Media	The Growth Enterprise Market of the Hong Kong Stock Exchange	11.7% (Note e)	11.9% (Note e)
Rosedale Hotel	Hong Kong Stock Exchange	6.8% (Note f)	4.7% (Note g)
China Enterprises	New York Stock Exchange	5.7% (Note f)	6.4% (Note f)
Australia Net	Australian Stock Exchange	5.9% (Note f)	6.6% (Note f)
Dong Fang Gas	Hong Kong Stock Exchange	4.4% (Note f)	5.0% (Note f)
Ananda	Hong Kong Stock Exchange	1.8% (Note h)	2.1% (Note h)

Notes:

- (a) The effective interest of the Group represents its direct interest of 18.8% and indirect interest held through the Group's direct interest in Star East and indirect interest in China Strategic.
- (b) The Group's interest is held through its direct interest in Paul Y. - ITC .
- (c) The Group's interest is held through its direct interest in Hanny.
- (d) The Group's interest is held through its direct interests in Paul Y. - ITC and Hanny.
- (e) The Group's interest is held through its direct interests in Hanny and Star East and indirect interest in China Strategic.
- (f) The Group's interest is held through its indirect interest in China Strategic.
- (g) The Group's interest is held through its indirect interests in China Strategic and Ananda.
- (h) The Group's interest is held through its indirect interest in China Enterprises.

Liquidity and financial resources

Cash, bank balances and deposits as at 30th September, 2002 amounted to approximately HK\$7.6 million. As at 30th September, 2002, the Group's bank overdrafts of approximately HK\$22.4 million are repayable within one year or on demand and other loan of approximately HK\$17.3 million is repayable more than one year but not exceeding two years. The convertible notes in issue at principal values of HK\$580 million will be redeemed within the next twelve months. Arrangements have been made for the redemption of the convertible notes by the issue of new convertible notes as disclosed in the Company's circular dated 23rd September, 2002 and under the section headed "Major events".

All the Group's borrowings are at floating interest rates and the Group's current ratio was 0.37 as at 30th September, 2002.

Exchange rate exposure

As at 30th September, 2002, approximately 9.2% of the cash, bank balances and deposits were in other currencies and only approximately 1.5% of the Group's total borrowings of HK\$618.9 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\$611.3 million and the shareholders' funds of HK\$1,391.0 million, was 43.9% as at 30th September, 2002.

Pledge of assets

As at 30th September, 2002, certain land and buildings of the Group with an aggregate carrying value of approximately HK\$17.7 million were pledged to banks to secure general facilities granted to the Group.

Contingent liabilities

The Group did not have any significant contingent liabilities as at 30th September, 2002.

Employee and remuneration policy

As at 30th September, 2002, the Group employed a total of approximately 44 employees. The Group recruits and promotes individuals based on merit and their development potentials for the positions offered. Remuneration package is determined with reference to their performance and the prevailing salary levels in the market. The Group also offers other benefits to employees including training, provident funds and medical coverage. Through the share option scheme provided to the eligible employees, it is intended to integrate their responsibilities, authority and benefits.

Major events

Proposed redemption of existing convertible notes and proposed placing and subscription of new convertible notes

On 16th September, 2002, the Company and Galaxyway Investments Limited (“Galaxyway”), a controlling shareholder of the Company, entered into a redemption and subscription agreement pursuant to which the Company conditionally agreed to redeem the existing convertible notes in an aggregate principal amount of HK\$250 million issued by the Company to Galaxyway and, in consideration, Galaxyway conditionally agreed to subscribe for new convertible notes with face value amounting up to HK\$250 million. As regards the remaining holders of the existing convertible notes, the Company would offer to them to redeem their existing convertible notes issued by the Company and, in consideration, issue new convertible notes to them at their respective face values under substantially similar terms and conditions as those contained in the redemption and subscription agreement. In addition, pursuant to a conditional placing agreement dated 20th September, 2002, BNP Paribas Peregrine Securities Limited has been appointed by the Company as the placing agent to place, on a best endeavours basis, the new convertible notes of an aggregate principal amount of up to HK\$330,000,000 to the existing noteholders (other than Galaxyway) and/or other independent investors. On 4th October, 2002, supplemental agreements to the above agreements were entered into between the same parties in relation to the completion arrangements of the issue of the new convertible notes.

Making of cash offers to acquire all the issued shares in, and warrants of, Paul Y. - ITC

On 25th October, 2002, the Company announced that its indirect wholly owned subsidiary, Hollyfield Group Limited (“Hollyfield”), through Anglo Chinese Corporate Finance, Limited will make a voluntary conditional cash offer at the price of HK\$0.30 for each share in Paul Y. - ITC, other than those shares owned by the Company or its wholly owned subsidiaries. On 12th December, 2002, the share offer became unconditional as the condition requiring the Company and its concert parties to hold more than 50% of the voting rights attaching to the shares of Paul Y. - ITC has been satisfied. In addition, Hollyfield has also made an offer at the price of HK\$0.01 for each warrant to the holders of warrants of Paul Y. - ITC, other than the Company or its wholly owned subsidiaries.

Dr. Chan Kwok Keung, Charles has agreed to finance the offers in full by granting to the Company on 28th October, 2002, a term loan facility of up to HK\$180 million on an unsecured basis and on normal commercial terms.

Securities in issue

As at the date of this announcement, the total number of issued ordinary shares of the Company is 630,960,774.

Outlook

During the period, Hong Kong economy was still sluggish with high unemployment rate and fiscal deficit. Nevertheless, the recent steps taken by HKSAR Government to stabilise the property market may improve the economy in the medium or long term. In addition, the persistent high growth in China's GDP will not only make the China market the center stage for global investors but will also provide Hong Kong with significant business opportunities. The Group will build on its existing platform with stringent cost control measures so as to maintain a sound financial management and pursue its long-term strategy under a prudent investment and development policy to explore high potential investments and attractive business opportunities. The Group will continue to focus on creating synergy for its strategic investments or among its strategic investments themselves and will remain confident to meet future challenges by taking advantage of the new opportunities lying ahead with its strong financial foundation and diversified investment portfolio.

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

During the six months ended 30th September, 2002, there were no purchases, sales or redemptions by the Company, or any of its subsidiaries, of the Company's listed securities.

CODE OF BEST PRACTICE

None of the directors is aware of information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 30th September, 2002, in compliance with the Code of Best Practice as set out in Appendix 14 to the Listing Rules, except that the independent non-executive directors of the Company are not appointed for a specific term as they are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's Bye-laws.

PUBLICATION OF RESULTS ON THE HONG KONG STOCK EXCHANGE'S WEBSITE

A detailed results announcement containing all the information required by paragraphs 46(1) to 46(6) of Appendix 16 to the Listing Rules will be published on the Hong Kong Stock Exchange's website in due course.

By Order of the Board
Dr. Chan Kwok Keung, Charles
Chairman

Hong Kong, 18th December, 2002

*The full version of this announcement can also be accessed on the Company's website:
<http://www.itccorp.com.hk>*

Please also refer to the published version of this announcement in The Standard.