



ITC CORPORATION LIMITED

(Incorporated in Bermuda with limited liability)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2003

RESULTS

The board of directors (the “Board”) of ITC Corporation Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30th September, 2003, together with comparative figures for the corresponding period in 2002. The consolidated income statement and consolidated cash flow statement of the Group for the six months ended 30th September, 2003 and the consolidated balance sheet as at 30th September, 2003 of the Group, all of which are unaudited and condensed, along with selected explanatory notes, have been reviewed by the Company’s audit committee and auditors.

CONDENSED CONSOLIDATED INCOME STATEMENT

		(Unaudited)	
		Six months ended	
		30th September,	
		2003	2002
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			<i>(As restated)</i>
Turnover	3	1,698,387	13,725
Cost of sales		(1,646,834)	(2,898)
Gross profit		51,553	10,827
Other operating income		51,097	21,675
Administrative expenses		(73,648)	(19,206)
Profit from operations	4	29,002	13,296
Finance costs		(21,388)	(17,461)
Investment expenses – net	5	(4,123)	(16,812)
Impairment loss on investment properties		(15,700)	–
Allowance for amount due from an associate		(2,424)	–
Loss on dilution of interests in subsidiaries and associates		(3,134)	–
Share of results of associates		129,325	(67,863)
Share of results of jointly controlled entities		7,974	–

		(Unaudited)	
		Six months ended	
		30th September,	
		2003	2002
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			(As restated)
Profit (loss) before taxation		119,532	(88,840)
Taxation	6	(56,691)	(12,533)
Profit (loss) before minority interests		62,841	(101,373)
Minority interests		(15,200)	–
Profit (loss) for the period		47,641	(101,373)
Earnings (loss) per share	7		
Basic (cents)		6.1	(17.5)
Diluted (cents)		2.3	(17.7)

CONDENSED CONSOLIDATED BALANCE SHEET

		(Unaudited) 30th September, 2003 <i>Notes</i> <i>HK\$'000</i>	(Audited) 31st March, 2003 <i>HK\$'000</i> (As restated)
Non-current assets			
Investment properties and property, plant and equipment	8	990,326	1,061,939
Negative goodwill		(394,445)	(423,474)
Interests in associates and jointly controlled entities	9	2,165,422	1,363,370
Other non-current assets		22,226	697,757
		<u>2,783,529</u>	<u>2,699,592</u>
Current assets			
Amounts due from customers for contract works		244,778	200,934
Debtors, deposits and prepayments	10	1,192,074	1,079,351
Short term bank deposits, bank balances and cash		284,124	241,189
Other current assets		601,373	630,138
		<u>2,322,349</u>	<u>2,151,612</u>
Current liabilities			
Amounts due to customers for contract works		557,989	494,855
Creditors and accrued expenses	11	857,458	797,355
Bank borrowings – due within one year		159,197	167,853
Other loans – due within one year		139,817	77,317
Other current liabilities		80,875	86,823
		<u>1,795,336</u>	<u>1,624,203</u>
Net current assets		<u>527,013</u>	<u>527,409</u>
Total assets less current liabilities		<u>3,310,542</u>	<u>3,227,001</u>
Minority interests		<u>905,119</u>	<u>863,395</u>
Non-current liabilities			
Convertible notes		391,731	391,799
Bank borrowings – due after one year		652,225	637,175
Other loans – due after one year		–	66,500
Other non-current liabilities		72,727	62,892
		<u>1,116,683</u>	<u>1,158,366</u>
		<u>1,288,740</u>	<u>1,205,240</u>

	(Unaudited) 30th September, 2003 <i>Notes</i> <i>HK\$'000</i>	(Audited) 31st March, 2003 <i>HK\$'000</i> (As restated)
Capital and reserves		
Share capital	89,894	89,894
Reserves	1,198,846	1,115,346
	<u>1,288,740</u>	<u>1,205,240</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	(Unaudited) Six months ended 30th September, 2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Net cash from (used in) operating activities	69,182	(44,078)
Net cash used in investing activities	(18,174)	(32,036)
Net cash used in financing activities	(31,763)	(15,392)
Net increase (decrease) in cash and cash equivalents	<u>19,245</u>	<u>(91,506)</u>
Cash and cash equivalents at beginning of the period	195,654	76,874
Effect of foreign exchange rate changes	(806)	(91)
Cash and cash equivalents at end of the period	<u>214,093</u>	<u>(14,723)</u>
Analysis of the balances of cash and cash equivalents		
Short term bank deposits, bank balances and cash	284,124	7,641
Bank overdrafts	(70,031)	(22,364)
	<u>214,093</u>	<u>(14,723)</u>

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") No. 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, 2003, except for the adoption of SSAP 12 (Revised) "Income Taxes". The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred taxation. In previous years, partial provision was made for deferred taxation using the income statement liability method, i.e. a liability was recognised in respect of all timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred taxation is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxation profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. Comparative amounts for 2002 have been restated accordingly. As a result of this change in policy, the opening accumulated losses at 1st April, 2003 have been increased by HK\$21,307,000 (1st April, 2002: HK\$18,191,000). The profit for the six months ended 30th September, 2003 has been decreased by HK\$9,130,000 (the loss for the six months ended 30th September, 2002 has been increased by HK\$2,167,000).

3. TURNOVER AND SEGMENTAL INFORMATION

The segment information of Paul Y. - ITC Construction Holdings Limited ("Paul Y. - ITC") has been included after Paul Y. - ITC became a subsidiary of the Company in December 2002.

Business segments

For management purposes, the Group's operations are currently organised into six operating divisions namely building construction, civil engineering, specialist works, construction materials, property leasing, and investment and finance. These divisions are the basis on which the Group reports its primary segment information.

Analyses of the Group's turnover and contribution to profit from operations by business segments are as follows:

	Six months ended 30th September,					
	2003 External HK\$'000	2003 Inter- segment HK\$'000	2003 Total HK\$'000	2002 External HK\$'000	2002 Inter- segment HK\$'000	2002 Total HK\$'000
Turnover						
Construction and other contracting businesses:						
Building construction	1,191,411	-	1,191,411	-	-	-
Civil engineering	195,893	-	195,893	-	-	-
Specialist works	259,023	18,932	277,955	-	-	-
Construction materials	2,985	44,620	47,605	-	-	-
	<u>1,649,312</u>	<u>63,552</u>	<u>1,712,864</u>	<u>-</u>	<u>-</u>	<u>-</u>
Investment and finance	21,793	400	22,193	9,107	418	9,525
Property leasing	25,046	8,533	33,579	241	151	392
Others	2,236	49	2,285	4,377	-	4,377
Elimination	-	(72,534)	(72,534)	-	(569)	(569)
	<u>1,698,387</u>	<u>-</u>	<u>1,698,387</u>	<u>13,725</u>	<u>-</u>	<u>13,725</u>

	Six months ended 30th September,	
	2003	2002
	HK\$'000	HK\$'000
Contribution to profit from operations		
Construction and other contracting businesses:		
Building construction	168	—
Civil engineering	(8,537)	—
Specialist works	(21,477)	—
Construction materials	(14,184)	—
	<u>(44,030)</u>	<u>—</u>
Investment and finance	39,017	18,270
Property leasing	11,086	(274)
Others	60	699
	<u>6,133</u>	<u>18,695</u>
Amortisation of negative goodwill	27,584	—
Unallocated corporate expenses	(4,715)	(5,399)
Profit from operations	<u>29,002</u>	<u>13,296</u>

Inter-segment sales are charged at prevailing market rate or, where no market price was available, at terms determined and agreed by both parties.

4. PROFIT FROM OPERATIONS

	Six months ended 30th September,	
	2003	2002
	HK\$'000	HK\$'000
Profit from operations has been arrived at after charging:		
Depreciation and amortisation of property, plant and equipment	32,229	947
Less: Amount capitalised in respect of contracts in progress	(956)	—
	<u>31,273</u>	<u>947</u>
and after crediting:		
Gain on disposal of property, plant and equipment	2,805	—
Gain on disposal of listed investments	23,088	617
Amortisation of negative goodwill (included in other operating income)	27,584	—
	<u>27,584</u>	<u>—</u>

5. INVESTMENT EXPENSES – NET

	Six months ended 30th September,	
	2003	2002
	HK\$'000	HK\$'000
(Loss) gain on disposal of investment properties	(526)	1
Impairment loss on investment securities	(3,597)	(16,813)
	<u>(4,123)</u>	<u>(16,812)</u>

6. TAXATION

	Six months ended 30th September, 2003 HK\$'000	2002 HK\$'000
The charge comprises:		
Hong Kong Profits Tax		
Overprovision in previous periods	(11)	—
Overseas taxation	3,322	—
Share of tax on results of associates	41,511	12,533
	<u>44,822</u>	<u>12,533</u>
Deferred taxation	11,869	—
	<u>56,691</u>	<u>12,533</u>

Hong Kong Profits Tax is calculated at the rate of 17.5% (2002: 16%) of the estimated assessable profits derived from Hong Kong for the period.

Overseas taxation is calculated at the rates prevailing in the respective jurisdictions.

Deferred taxation has been provided for on temporary differences arising during the period.

7. EARNINGS (LOSS) PER SHARE

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

	Six months ended 30th September, 2003 HK\$'000	2002 HK\$'000 (As restated)
Profit (loss) for the period	47,641	(101,373)
Dividend for preference shares	(9,245)	(9,245)
Profit (loss) for the purposes of basic earnings (loss) per share	<u>38,396</u>	<u>(110,618)</u>
Effect of dilutive potential ordinary shares:		
Adjustment to the share of results of subsidiaries based on dilution of their earnings per share	(3,426)	—
Adjustment to the share of results of associates based on dilution of their earnings per share	—	(1,325)
Interest on convertible notes	9,839	—
Unamortised deferred expenditure on issuance of convertible notes	(769)	—
Profit (loss) for the purposes of diluted earnings (loss) per share	<u>44,040</u>	<u>(111,943)</u>
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purposes of basic earnings (loss) per share	630,960,774	630,960,774
Effect of dilutive potential ordinary shares:		
Convertible notes	<u>1,308,333,333</u>	<u>—</u>

Six months ended
30th September,
2003 2002
HK\$'000 **HK\$'000**
(As restated)

Weighted average number of ordinary shares
for the purposes of diluted earnings (loss)
per share

1,939,294,107 **630,960,774**

8. INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$5,311,000 (2002: HK\$1,908,000) on property, plant and equipment to expand and upgrade its operating capacity. The Group also disposed of investment properties and property, plant and equipment with an aggregate carrying value of approximately HK\$21,804,000 (2002: HK\$1,125,000) and HK\$9,992,000 (2002: HK\$575,000) respectively.

Certain investment properties at 30th September, 2003 were revalued by the directors by reference to the valuations made by an independent professional valuer.

9. INTERESTS IN ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

Downer EDI Limited ("Downer"), one of the principal associates of Paul Y. - ITC, became an associate of the Group upon consolidation of Paul Y. - ITC since December 2002. Downer is listed in Australia and New Zealand and its financial year end date is 30th June. Only published financial information of Downer will be available and used by the Group in applying the equity method. Accordingly, the Group's share of results of Downer for the current period is calculated based on the results of Downer for the six months from 1st January, 2003 to 30th June, 2003.

During the six months ended 30th September, 2003, the Group's equity interest through Paul Y. - ITC in China Strategic Holdings Limited, which is listed in the Hong Kong Stock Exchange, increased from 14.55% to 31.20%. Accordingly, the investment has been reclassified from investments in securities to interests in associates during the period.

Paul Y. - ITC has not accounted for its share of losses of an associate amounting to approximately HK\$123,711,000 (31st March, 2003: HK\$123,711,000) as those losses, which arise on a contract, are recoverable in full under guarantees provided by an ex-shareholder of the associate. Paul Y. - ITC instigated a court action against the ex-shareholder to recover the losses together with interest and other expenses incurred. The directors of Paul Y. - ITC, having taken legal advice, believe that the suit is valid and the losses can be fully recovered from the ex-shareholder.

10. DEBTORS, DEPOSITS AND PREPAYMENTS

The following is an aged analysis of trade debtors:

	(Unaudited) 30th September, 2003 HK\$'000	(Audited) 31st March, 2003 HK\$'000
Trade debtors		
0 – 30 days	447,637	400,424
31 – 60 days	12,930	5,724
61 – 90 days	206	5,224
Over 90 days	72,601	70,739
	<u>533,374</u>	<u>482,111</u>
Other debtors, deposits and prepayments	658,700	597,240
	<u><u>1,192,074</u></u>	<u><u>1,079,351</u></u>

The Group's credit terms for contracting business are negotiated with, and entered into under, normal commercial terms with its trade customers. Trade debtors arising from property leasing business are payable monthly in advance and the credit terms granted by the Group to other trade debtors normally range from 30 days to 90 days.

11. CREDITORS AND ACCRUED EXPENSES

The following is an aged analysis of trade creditors:

	(Unaudited) 30th September, 2003 HK\$'000	(Audited) 31st March, 2003 HK\$'000
Trade creditors		
0 – 30 days	302,921	273,309
31 – 60 days	35,701	24,780
61 – 90 days	3,855	9,342
Over 90 days	26,321	19,556
	<hr/> 368,798	<hr/> 326,987
Other creditors and accrued expenses	488,660	470,368
	<hr/> 857,458 <hr/>	<hr/> 797,355 <hr/>

INTERIM DIVIDEND

On the basis of the accounts, the Board has resolved not to pay interim dividend for the six months ended 30th September, 2003 (2002: 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

During the six months ended 30th September 2003, there are significant fluctuations on the results of the Group mainly because the Group started to consolidate Paul Y. - ITC Construction Holdings Limited ("Paul Y. - ITC") as a subsidiary in the accounts of the Group instead of sharing its results as an associate using the equity accounting method for the corresponding period in 2002 after the close of a voluntary conditional cash offer by the Group in December 2002.

The results and financial position of the Group for the period under review are summarised in the table below:

Results	<i>Notes</i>	Six months ended		Percentage change
		30th September, 2003	2002	
Consolidated turnover (<i>HK\$'million</i>)	a	1,698.4	13.7	+12,274%
Profit from operations (<i>HK\$'million</i>)	b	29.0	13.3	+118%
Profit (loss) for the period (<i>HK\$'million</i>)	c	47.6	(101.4)	N.A.
Basic earnings (loss) per ordinary share (<i>HK cents</i>)	c	6.1	(17.5)	N.A.
Financial position		As at 30th September, 2003	As at 31st March, 2003	Percentage change
Total assets (<i>HK\$'million</i>)		5,105.9	4,851.2	+5%
Shareholders' funds (<i>HK\$'million</i>)	d	1,288.7	1,205.2	+7%
Current ratio		1.29	1.32	-2%

Notes:

- (a) Increased mainly due to the consolidation of Paul Y. - ITC as subsidiary after the close of the cash offer.
- (b) Increased mainly due to the amortisation of negative goodwill and gain on disposal of listed investments.
- (c) Increased mainly due to the share of results of Downer EDI Limited by Paul Y. - ITC.
- (d) Increased mainly due to the profit for the period and increase of share of translation reserve of associates

The following proforma income statement has been prepared for reference on the basis as if Paul Y. - ITC was consolidated as a subsidiary for the six months ended 30th September, 2002.

	(Unaudited)	
	Six months ended	
	30th September,	
	2003	2002
	HK\$'000	HK\$'000
		(Proforma)
Turnover	1,698,387	2,004,107
Cost of sales	(1,646,834)	(1,938,231)
Gross profit	51,553	65,876
Other operating income	51,097	22,676
Administrative expenses	(73,648)	(108,760)
Profit (loss) from operations	29,002	(20,208)
Finance costs	(21,388)	(33,013)
Investment expenses – net	(4,123)	(36,670)
Impairment loss on investment properties	(15,700)	(16,000)
Allowance for amount due from an associate	(2,424)	–
Loss on dilution of interests in subsidiaries and associates	(3,134)	(3,748)
Share of results of associates	129,325	9,902
Share of results of jointly controlled entities	7,974	3,280
Profit (loss) before taxation	119,532	(96,457)
Taxation	(56,691)	(26,009)
Profit (loss) before minority interests	62,841	(122,466)
Minority interests	(15,200)	21,093
Profit (loss) for the period	47,641	(101,373)

REVIEW OF OPERATIONS

Paul Y. - ITC

The Paul Y. - ITC group's principal business includes, building construction, civil engineering, specialist works, property investment as well as manufacturing and trading of construction materials. As at 30th September, 2003, Paul Y. - ITC holds 35.3% interest in Downer EDI Limited and also 31.2% interest in China Strategic Holdings Limited.

Construction sector output in Hong Kong has been declining for a few years due to reducing capital expenditure by both public and private sectors. This has led to severe competition and eroded the Paul Y. - ITC group's gross margin. Consequently the contracting division as well as the construction material division experienced losses in operation. As the Group's work-on-hand is now on an uptrend, gross margin is expected to improve.

During the period, the Paul Y. - ITC group secured new contracts with an aggregate value of approximately HK\$1,799 million, of which some HK\$938 million and some HK\$861 million came from public sector and private sector respectively. The new contracts comprised some HK\$555 million of building construction contracts, some HK\$938 million of civil engineering contracts and some HK\$306 million of specialist works.

As at 30th September, 2003, contracts on hand and the value of work remaining of the Paul Y. - ITC group were HK\$11,792 million and HK\$5,263 million, respectively. The profile of contracts on hand as at 30th September, 2003 is as follows:

	Value of contracts on hand as at 30/9/2003 HK\$'million	Value of work remaining as at 30/9/2003 HK\$'million
Building construction	8,603	3,665
Civil engineering	2,021	1,077
Specialist works	1,168	521
	<hr/>	<hr/>
	11,792	5,263
	<hr/> <hr/>	<hr/> <hr/>

Subsequent to the period end, the Paul Y. - ITC group secured further new contracts with an aggregate attributable value of approximately HK\$1,349 million including two hotel development construction contracts of some HK\$1,168 million.

For property operation, the Group's investment property portfolio included Paul Y. Centre, the Group's headquarter in Kwun Tong, In-Zone, a shopping arcade in Wanchai and certain investment properties in the Mainland (being the People's Republic of China and, for the purpose of this announcement, excluding Hong Kong and Macau).

The overall rental rates of the investment properties had been reduced and the occupancy rate was maintained at a level of around 92% and 72% for Paul Y. Centre and In-Zone at the period end respectively.

For the six months ended 30th September, 2003, Paul Y. - ITC reported a consolidated profit for the period of HK\$29.9 million and its overall after tax contribution to the Group was a profit of HK\$27.7 million.

Strategic Investments

During the six months ended 30th September, 2003, the Group continued to hold significant interests, both directly or indirectly, in a number of companies listed in Hong Kong, Canada, Australia, New Zealand, Singapore, Germany and the United States ("U.S.A.") 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, 2003, the Group had the following strategic investments:

Listed strategic investments directly held

Hanny Holdings Limited (“Hanny”)

Hanny is an investment holding company and the Hanny group is principally engaged in the trading of computer related products and consumer electronic products which comprise the manufacture, distribution and marketing of data storage media (primarily floppy disks, CD-R, CD-RW and DVD); the distribution and marketing of computer accessories, storage media drives, scanners, audio and video cassettes, minidisks, household electronic products and telecommunication accessories; and securities trading. The Hanny group also made strategic investments in information technology, Internet-related, supply of household consumer products and other businesses. For the six months ended 30th September, 2003, Hanny reported a consolidated profit for the period of HK\$10.1 million and its after tax contribution to the Group was a profit of HK\$2.8 million.

Burcon NutraScience Corporation (“Burcon”)

Burcon is a research and development company developing a portfolio of composition, application and process patents around its plant protein extraction and purification technology. The goal of Burcon’s research is to develop its patented process to utilize inexpensive oilseed meals for the production of purified plant proteins that exhibit valuable nutritional, functional or nutraceutical profiles. Burcon is currently focusing its efforts on developing the world’s first commercial canola proteins, namely Puratein® and Supertein™ (the “Products”). Canola, recognised for its nutritional qualities, is Canada’s largest oilseed crop and the second-largest oilseed crop in the world after soybeans. Burcon’s goal is to develop the Products to participate with soy, dairy and egg proteins in the expanding multi-billion-dollar protein ingredient market, with potential uses in prepared foods, nutritional supplements and personal care products. For the six months ended 30th September, 2003, Burcon’s after tax contribution to the Group was a loss of HK\$1.8 million.

Star East Holdings Limited (“Star East”)

Star East is principally engaged in entertainment-related businesses including the production, distribution and licensing of movies, television drama series, documentary and infotainment programmes; the franchising and operation of theme restaurants under the brand names “Planet Hollywood” and “Star East” in Asia Pacific region; strategic investment in M Channel Corporation Limited; talent management, music production, event production and marketing and property investment. For the six months ended 30th September, 2003, Star East reported a consolidated loss of HK\$15.0 million and its after tax contribution to the Group was a loss of HK\$3.8 million.

M Channel Corporation Limited (“M Channel”)

M Channel is principally engaged in the out-of-home audio and video media business through the platform of approximately 1,000 public light buses and approximately 160 fixed locations (including those within Watson’s the Chemist and fast food chain stores) in Hong Kong and approximately 1,100 public buses in Guangzhou and Harbin. For the period under review, an impairment loss of HK\$3.6 million was recognised by the Group on its investment in M Channel.

Downer EDI Limited (“Downer”)

Downer provides comprehensive engineering and infrastructure management services to the public and private power, rail, road, telecommunications, mining and minerals processing sectors in Australia, New Zealand, Asia and the Pacific. Its business consists of four main principal activities namely Downer Engineering (engineering division), Works Infrastructure (infrastructure division), Roche Mining (mining division), and EDI Rail (rail division) that have common core competencies. These core competencies include value-adding skills in design, project and facilities management, operations and maintenance to provide clients with single source solutions.

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 manufacturing, retailing and distribution of Chinese medicine and western pharmaceuticals mainly under the brand name of “Tung Fong Hung” and “Jean-Marie”; and investment in infrastructure projects.

Listed strategic investments indirectly held

Provisions Suppliers Corporation Limited (“PSC”)

The PSC group has diversified interests ranging from retailing to manufacturing of food and non-food items. The subsidiaries of PSC are principally engaged in the manufacturing of food and non-food items; the supply of agency products to supermarkets, hotels, institutions and provision shops; the marketing and supply of provisions and food and non-food products; the marketing and distribution of chemical products; healthcare consultancy and hospital management, hospitality business, logistics and education. The PSC group also manages a well established network of franchise stores and possesses various brand names.

China Enterprises Limited (“China Enterprises”)

China Enterprises has substantial interests in certain investment holding companies, the subsidiaries of which are principally engaged in the business of manufacturing and marketing of tires in the Mainland and other countries abroad and the business of providing package tours, travel and other related services.

MRI Holdings Limited (“MRI”) (formerly Australia Net.Com Limited)

Given of the substantial financial resources, MRI has continued to investigate investment opportunities and has culminated in an investment

in an integrated fruit growing, packing and export operation based in the southwest of Western Australia by way of a convertible note.

Dong Fang Gas Holdings Limited (“Dong Fang Gas”)

In addition to its existing businesses in the manufacturing and the trading of building materials and the trading of marketable securities and derivatives, the Dong Fang Gas group has shown its dedication to the energy-related businesses by acquiring certain interests in a company which has been engaged in the business of natural gas supply, storage and related services with a view to realise the premium market in this sector.

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

Wing On Travel group is principally engaged in the provision of package tours, travel and other related services and also has a substantial interest in a hotel chain branded under the name of “Rosedale” in the Mainland and Hong Kong and is one of the most experienced and largest local travel agency. Wing On Travel 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 subsidiary and strategic investments are summarised below:

Listed subsidiary and strategic investments directly held

Name of investee company	Place of listing	Shareholding percentage	
		As at 30th September, 2003	As at the date of this announcement
Paul Y. - ITC	Hong Kong Stock Exchange	63.9%	64.3%
Hanny	Hong Kong Stock Exchange	28.3%	28.6%
Burcon	TSX Venture Exchange and Frankfurt Stock Exchange	25.1%	25.1%
Star East	Hong Kong Stock Exchange	26.1%	19.2%
M Channel	The Growth Enterprise Market of Hong Kong Stock Exchange	27.1%	25.2%
		<i>Effective interest (Note a)</i>	<i>Effective interest (Note a)</i>
Downer	Australian Stock Exchange and New Zealand Stock Exchange	22.6%	13.7%
		<i>Effective interest (Note b)</i>	<i>Effective interest (Note b)</i>
China Strategic	Hong Kong Stock Exchange	28.7%	29.0%
		<i>Effective interest (Note c)</i>	<i>Effective interest (Note c)</i>

Listed strategic investments indirectly held

Name of investee company	Place of listing	Effective interest	
		As at 30th September, 2003	As at the date of this announcement
PSC	Singapore Exchange Securities Trading Limited	7.8% (Note d)	7.9% (Note d)
China Enterprises	OTC Bulletin Board, U.S.A.	15.9% (Note e)	16.0% (Note e)
MRI	Australian Stock Exchange	16.5% (Note e)	16.6% (Note e)
Dong Fang Gas	Hong Kong Stock Exchange	12.4% (Note e)	12.5% (Note e)
Wing On Travel	Hong Kong Stock Exchange	5.1% (Note f)	5.2% (Note f)

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 effective 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 interests in Paul Y. - ITC and Hanny.
- (d) The Group's interest is held through its direct interest in Hanny.
- (e) The Group's interest is held through its effective interest in China Strategic.
- (f) The Group's interest is held through its indirect interest in China Enterprises.

LIQUIDITY AND FINANCIAL 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. Cash, bank balances and deposits as at 30th September, 2003 amounted to approximately HK\$284.1 million. As at 30th September, 2003, the Group had bank borrowings of approximately HK\$811.4 million and other loans of approximately HK\$139.8 million of which HK\$159.2 million and HK\$139.8 million, respectively, are repayable within one year or on demand. The convertible notes in an aggregate principal amounts of HK\$392.5 million will be redeemed on 3rd March, 2006 (or the next following business day if it is not a business day) unless previously converted, redeemed or purchased and cancelled.

Approximately 95.5% of the Group's borrowings are at floating interest rates and the Group's current ratio was 1.29 as at 30th September, 2003.

EXCHANGE RATE EXPOSURE

As at 30th September, 2003, approximately 9.8% of the cash, bank balances and deposits were in other currencies and only 0.9% of the Group's total borrowings of HK\$1,343.0 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\$1,058.9 million and the shareholders' funds of HK\$1,288.7 million, was 82.2% as at 30th September, 2003 as compared to 91.2% as at 31st March, 2003.

PLEDGE OF ASSETS

As at 30th September, 2003, certain of the Group's properties, investment in an associate, investment securities and debtors with an aggregate carrying value of approximately HK\$1,289.4 million and its benefits under certain construction contracts 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, 2003, the Group has contingent liabilities in respect of outstanding performance bonds on construction contracts and financial support given to an investee company of HK\$769.2 million and HK\$1.2 million, respectively.

EMPLOYEE AND REMUNERATION POLICY

As at 30th September, 2003, the Group employed a total of approximately 1,300 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. Share option schemes are also established for the eligible employees but no share option was granted during the period.

MAJOR EVENTS

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

In July 2003, the Company, Paul Y. - ITC and Hanny jointly announced that Paul Y. - ITC and Hanny would make a voluntary conditional general cash offer for the shares and share warrants of China Strategic, other than those owned by Paul Y. - ITC and Hanny and parties acting in concert with them, and to cancel all the outstanding share options of China Strategic. Upon the closure of the offer in September 2003, the Group, through Paul Y. - ITC, holds approximately, 31.2% interest in shares in China Strategic and as a result, China Strategic becomes an associate of the Group.

Placing of Downer ordinary shares

Subsequent to the period end, Paul Y. - ITC has arranged for placing of in aggregate of 28.75 million Downer ordinary shares (adjusted by the consolidation of 4 ordinary shares in Downer into 1 Downer ordinary share on 28th November, 2003) to independent third parties which raised, before tax and expenses, approximately A\$104.1 million (approximately HK\$587.8 million). In addition, the preference shareholders of Downer have exercised their rights to convert the preference shares to 32.5 million Downer ordinary shares. As a result of the placing and dilution due to the conversion of preference shares, the shareholding of Paul Y. - ITC in Downer has decreased to 21.3% as at the date of this announcement.

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 under review, the devastating outbreak of Severe Acute Respiratory Syndrome have dampened the Hong Kong economy. Although there are signs of improvement after July, the overall rehabilitation of economy has still yet to be confirmed. Nevertheless, the Closer Economic Partnership Arrangement (“CEPA”) between the Mainland and Hong Kong are expected to be able to spur overseas investment in Hong Kong and drive economic recovery. With the persistent high growth in Mainland’s GDP, Hong Kong should be able to benefit from the arrangements. The Group will focus more on the Mainland and believes that CEPA can provide the Group an alternative way for exploring the market in the Mainland. The Group will build on its existing assets base 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 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, 2003, 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, 2003, 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 INTERIM RESULTS ON THE HONG KONG STOCK EXCHANGE'S WEBSITE

A detailed results announcement of the Group for the six months ended 30th September, 2003 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, 19th December, 2003

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.