



ITC CORPORATION LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 372)

INTERIM RESULTS

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2004

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, 2004, together with comparative figures for the corresponding period in 2003. The interim results for the six months ended 30th September, 2004 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 Institute of Certified Public Accountants and the Audit Committee of the Company.

CONDENSED CONSOLIDATED INCOME STATEMENT

		(Unaudited)	
		Six months ended	
		30th September,	
		2004	2003
	Notes	HK\$'000	HK\$'000
Turnover	3	1,704,936	1,698,387
Cost of sales		(1,589,929)	(1,646,834)
Gross profit		115,007	51,553
Other operating income		19,964	51,097
Administrative expenses		(76,045)	(73,648)
Profit from operations	4	58,926	29,002
Finance costs		(11,264)	(21,388)
Investment expenses – net	5	(485)	(4,123)
Impairment loss on investment properties		–	(15,700)
Allowance for amount due from an associate and a related company		(799)	(2,424)

		(Unaudited)	
		Six months ended	
		30th September,	
		2004	2003
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss on dilution of interests in subsidiaries and associates	6	(14,757)	(3,134)
Share of results of associates		64,644	129,325
Share of results of jointly controlled entities		118	7,974
Profit before taxation		<u>96,383</u>	119,532
Taxation	7	(48,872)	(56,691)
Profit before minority interests		<u>47,511</u>	62,841
Minority interests		(21,240)	(15,200)
Profit for the period		<u>26,271</u>	47,641
Dividends	8	<u>6,543</u>	–
Earnings per share	9		
Basic (cents)		<u>2.6</u>	6.1
Diluted (cents)		<u>1.5</u>	2.3

CONDENSED CONSOLIDATED BALANCE SHEET

		(Unaudited)	(Audited)
		30th September,	31st March,
		2004	2004
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets			
Investment properties	10	455,000	515,000
Property, plant and equipment	10	427,286	452,374
Project under development	11	1,692,113	–
Negative goodwill		(290,950)	(314,540)
Interests in associates	12	1,673,132	1,750,489
Interests in jointly controlled entities		8,934	14,817
Other non-current assets		24,960	77,608
		<u>3,990,475</u>	<u>2,495,748</u>

		(Unaudited) 30th September, 2004 HK\$'000	(Audited) 31st March, 2004 HK\$'000
	<i>Notes</i>		
Current assets			
Amounts due from customers for contract works		173,185	273,210
Debtors, deposits and prepayments	13	1,198,140	1,214,942
Investments in securities		27,641	39,374
Short-term bank deposits, bank balances and cash		270,303	303,051
Other current assets		774,707	656,188
		<u>2,443,976</u>	<u>2,486,765</u>
Current liabilities			
Amounts due to customers for contract works		412,858	456,140
Creditors and accrued expenses	14	894,060	888,474
Amount due to a minority shareholder		100,000	–
Bank borrowings – due within one year		109,386	58,247
Other loans – due within one year		17,317	17,317
Other current liabilities		24,145	153,129
		<u>1,557,766</u>	<u>1,573,307</u>
Net current assets		<u>886,210</u>	<u>913,458</u>
Total assets less current liabilities		<u>4,876,685</u>	<u>3,409,206</u>
Minority interests		<u>1,565,937</u>	<u>1,195,365</u>
Non-current liabilities			
Convertible notes		289,167	289,050
Bank borrowings – due after one year		459,000	517,000
Loan from a minority shareholder		241,000	–
Provision for long service payment		1,727	1,727
Deferred tax liabilities		959,482	52,882
		<u>1,950,376</u>	<u>860,659</u>
		<u>1,360,372</u>	<u>1,353,182</u>
Capital and reserves			
Share capital		92,227	92,227
Reserves		1,268,145	1,260,955
		<u>1,360,372</u>	<u>1,353,182</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	(Unaudited)	
	Six months ended	
	30th September,	
	2004	2003
	HK\$'000	HK\$'000
Net cash from operating activities	84,451	69,182
Net cash used in investing activities	(280,684)	(18,174)
Net cash from (used in) financing activities	167,731	(31,763)
Net (decrease) increase in cash and cash equivalents	(28,502)	19,245
Cash and cash equivalents at beginning of the period	271,804	195,654
Effect of foreign exchange rate changes	(385)	(806)
Cash and cash equivalents at end of the period	242,917	214,093
Analysis of the balances of cash and cash equivalents		
Short-term bank deposits, bank balances and cash	270,303	284,124
Bank overdrafts	(27,386)	(70,031)
	242,917	214,093

Notes:

1. BASIS OF PREPARATION

The condensed consolidated 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 No. 25 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain properties and investments 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, 2004.

3. TURNOVER AND SEGMENTAL INFORMATION

Business segments

For management purposes, the Group's operations are currently organised into nine operating divisions namely building construction, civil engineering, specialist works, construction materials, provision of finance, property leasing, sale of

building materials and machinery, management services and investment. 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,					
	2004			2003		
	External HK\$'000	Inter- segment HK\$'000	Total HK\$'000	External HK\$'000	Inter- segment HK\$'000	Total HK\$'000
Turnover						
Discontinuing operations:						
Construction and other contracting businesses:						
Building construction	1,248,557	-	1,248,557	1,191,411	-	1,191,411
Civil engineering	234,406	-	234,406	195,893	-	195,893
Specialist works	174,475	57,760	232,235	259,023	18,932	277,955
Construction materials	183	30,374	30,557	2,985	44,620	47,605
	<u>1,657,621</u>	<u>88,134</u>	<u>1,745,755</u>	<u>1,649,312</u>	<u>63,552</u>	<u>1,712,864</u>
Continuing operations:						
Provision of finance	21,792	449	22,241	19,905	400	20,305
Property leasing	21,210	8,549	29,759	25,046	8,533	33,579
Sale of building materials and machinery	2,279	25	2,304	2,236	49	2,285
Management services	1,457	-	1,457	1,650	-	1,650
Investment	577	-	577	238	-	238
Elimination	-	(97,157)	(97,157)	-	(72,534)	(72,534)
	<u>1,704,936</u>	<u>-</u>	<u>1,704,936</u>	<u>1,698,387</u>	<u>-</u>	<u>1,698,387</u>

	Six months ended	
	30th September,	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Contribution to profit from operations		
Discontinuing operations:		
Construction and other contracting businesses:		
Building construction	17,648	168
Civil engineering	18,329	(8,537)
Specialist works	10,840	(21,477)
Construction materials	(7,909)	(14,184)
	38,908	(44,030)
Continuing operations:		
Provision of finance	16,145	15,631
Property leasing	8,238	11,086
Sale of building materials and machinery	92	60
Management services	(150)	(365)
Investment	(8,530)	23,751
	54,703	6,133
Release of negative goodwill	23,590	27,584
Unallocated corporate expenses	(19,367)	(4,715)
Profit from operations	58,926	29,002

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

As disclosed in the circular dated 5th November, 2004, Paul Y. - ITC Construction Holdings Limited ("Paul Y - ITC") has become an associate of the Group since 20th October, 2004 after the disposal of 77 million shares in Paul Y. - ITC by the Group. Accordingly, the Group has ceased to carry out the businesses of building construction, civil engineering, specialist works and construction materials since 20th October, 2004 as these operations are solely carried out through Paul Y. - ITC.

4. PROFIT FROM OPERATIONS

	Six months ended 30th September,	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit from operations has been arrived at after charging:		
Depreciation and amortisation of property, plant and equipment (Note)	28,791	31,273
Loss on disposal of listed investments	1,579	–
Loss on disposal of property, plant and equipment	1,640	–
Unrealised holding loss for listed other investments	7,528	–
and after crediting:		
Gain on disposal of listed investments	–	23,088
Gain on disposal of property, plant and equipment	–	2,805
Release of negative goodwill to income (included in other operating income)	23,590	27,584
Unrealised holding gain for listed other investments	–	425
	<u>28,791</u>	<u>31,273</u>
<i>Note:</i>		
Depreciation and amortisation of property, plant and equipment	29,590	32,229
Less: Amount capitalised in respect of contracts in progress	(799)	(956)
	<u>28,791</u>	<u>31,273</u>

5. INVESTMENT EXPENSES – NET

	Six months ended 30th September,	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Gain (loss) on disposal of investment properties	1,129	(526)
Impairment loss on investment securities	(1,614)	(3,597)
	<u>(485)</u>	<u>(4,123)</u>

6. LOSS ON DILUTION OF INTERESTS IN SUBSIDIARIES AND ASSOCIATES

	Six months ended 30th September,	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss on dilution of interests in subsidiaries	–	(3,554)
Loss on dilution of interests in associates	(15,649)	(112)
Gain on dilution of interests in associates	892	532
	<u>(14,757)</u>	<u>(3,134)</u>

7. TAXATION

	Six months ended 30th September,	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
The charge comprises:		
Hong Kong Profits Tax		
Current period	21	–
Overprovision in previous periods	–	(11)
	<u>21</u>	<u>(11)</u>
Overseas taxation	1,177	3,322
Deferred taxation	7,629	11,869
	<u>8,827</u>	<u>15,180</u>
Taxation attributable to the Company and its subsidiaries	8,827	15,180
Share of taxation attributable to associates	40,045	41,511
	<u>48,872</u>	<u>56,691</u>

Hong Kong Profits Tax is calculated at the rate of 17.5% (1.4.2003 to 30.9.2003: 17.5%) of the estimated assessable profits derived from Hong Kong for the period.

For the period ended 30th September, 2003, no tax was payable on the profit for the period arising in Hong Kong since the assessable profit was wholly absorbed by tax losses brought forward.

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.

8. DIVIDENDS

	Six months ended 30th September,	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim dividend – 1 cent (2003: Nil) per share	<u>6,543</u>	<u>–</u>

The amount of the interim dividend declared for the six months ended 30th September, 2004, which will be payable in cash, has been calculated by reference to the 654,294,107 issued ordinary shares outstanding as at the date of this announcement.

9. EARNINGS PER SHARE

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

	Six months ended	
	30th September,	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the period	26,271	47,641
Dividend for preference shares	(9,245)	(9,245)
Profit for the purposes of basic earnings per share	17,026	38,396
Effect of dilutive potential ordinary shares:		
Adjustment to the share of results of subsidiaries based on dilution of their earnings per share	–	(3,426)
Interest on convertible notes	7,245	9,839
Unamortised deferred expenditure on issuance of convertible notes	(333)	(769)
Profit for the purposes of diluted earnings per share	23,938	44,040
	Number	Number
	of shares	of shares
Weighted average number of ordinary shares for the purposes of basic earnings per share	654,294,107	630,960,774
Effect of dilutive potential ordinary shares:		
Convertible notes	965,000,000	1,308,333,333
Weighted average number of ordinary shares for the purposes of diluted earnings per share	1,619,294,107	1,939,294,107

10. INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$6,243,000 (1.4.2003 to 30.9.2003: HK\$5,311,000) 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\$60,000,000 (1.4.2003 to 30.9.2003: HK\$21,804,000) and HK\$2,373,000 (1.4.2003 to 30.9.2003: HK\$9,992,000) respectively.

11. PROJECT UNDER DEVELOPMENT

During the period, the Group purchased a 54.06% interest in a development project located in the Mainland (being the People's Republic of China and, for the purpose of this announcement, excluding Hong Kong and Macau) through acquisition of subsidiaries.

12. INTERESTS IN ASSOCIATES

	(Unaudited) 30th September, 2004 HK\$'000	(Audited) 31st March, 2004 HK\$'000
Share of net assets:		
Listed in Hong Kong	864,367	920,360
Listed overseas	539,826	552,433
Unlisted shares	25,627	23,828
Goodwill	234,281	245,323
Negative goodwill	(17,369)	(17,855)
	<u>1,646,732</u>	<u>1,724,089</u>
Amount due from an associate	26,400	26,400
	<u>1,673,132</u>	<u>1,750,489</u>
Market value of listed shares:		
In Hong Kong	243,012	286,319
In overseas	1,375,707	1,158,296
	<u>1,618,719</u>	<u>1,444,615</u>

China Strategic Holdings Limited (“China Strategic”), a company listed on The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”), became a principal associate of the Group on 30th September, 2003 with its financial year ended 31st December. Downer EDI Limited (“Downer”), another principal associate of the Group is listed in Australia and New Zealand with its financial year ended 30th June. Since only published financial information of China Strategic and Downer was available and used by the Group in applying the equity method, the Group’s share of net assets in China Strategic and Downer at 30th September, 2004 is calculated based on their net assets at 30th June, 2004. The Group’s share of results of China Strategic for the current period and of Downer for the current and prior period is calculated based on the results of China Strategic for the six months from 1st January, 2004 to 30th June, 2004 and results of Downer for the six months from 1st January, 2004 to 30th June, 2004 and from 1st January, 2003 to 30th June, 2003 respectively.

13. DEBTORS, DEPOSITS AND PREPAYMENTS

Included in debtors, deposits and prepayments are trade debtors of approximately HK\$490,329,000 (31st March, 2004: HK\$503,395,000) and their aged analysis at the balance sheet date is as follows:

	(Unaudited) 30th September, 2004 <i>HK\$'000</i>	(Audited) 31st March, 2004 <i>HK\$'000</i>
Trade debtors		
0-30 days	372,790	403,517
31-60 days	25,285	29,584
61-90 days	3,064	2,750
Over 90 days	89,190	67,544
	<u>490,329</u>	<u>503,395</u>

Included in debtors, deposits and prepayments at 30th September, 2004 and 31st March, 2004 is an amount of approximately HK\$123,711,000 which represents the Group's share of losses arising on certain construction contracts to be recovered from an ex-shareholder of Downer under guarantees provided by the ex-shareholder. The Group has proceeded a court action against the ex-shareholder and, having taken legal advice, believes that the suit is valid and the losses together with interest and other expenses incurred can be fully recovered from the ex-shareholder.

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.

14. CREDITORS AND ACCRUED EXPENSES

Included in creditors and accrued expenses are trade payables of approximately HK\$348,276,000 (31st March, 2004: HK\$354,324,000) and their aged analysis at the balance sheet date is as follows:

	(Unaudited) 30th September, 2004 <i>HK\$'000</i>	(Audited) 31st March, 2004 <i>HK\$'000</i>
Trade creditors		
0-30 days	273,709	315,826
31-60 days	43,311	18,742
61-90 days	8,231	1,476
Over 90 days	23,025	18,280
	<u>348,276</u>	<u>354,324</u>

INTERIM DIVIDEND

The Board has resolved to pay an interim dividend of 1 cent per ordinary share for the six months ended 30th September, 2004 (2003: Nil) to holders of ordinary shares whose names appear on the register of holders of

ordinary shares of the Company as at the close of business on 12th January, 2005. The interim dividend is expected to be paid to holders of ordinary shares of the Company by post on or around 3rd February, 2005.

During the period under review no dividend was declared on the 267,980,000 compulsorily convertible cumulative preference shares in issue. No dividend is therefore payable on those preference shares in respect of the period under review.

CLOSE OF REGISTER OF HOLDERS OF ORDINARY SHARES

The register of holders of ordinary shares of the Company will be closed from 10th January, 2005 to 12th January, 2005, both days inclusive, during the period which no ordinary share transfer shall be effected. In order to qualify for the interim dividend, all transfers of ordinary shares accompanied by the relevant share certificates must be lodged with the Company's share registrars in Hong Kong, Secretaries Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong for registration by no later than 4:00 p.m. on 7th January, 2005

BUSINESS REVIEW AND OUTLOOK

RESULTS AND FINANCIAL HIGHLIGHTS

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, 2004	2003	
Consolidated turnover (<i>HK\$'million</i>)		1,704.9	1,698.4	+0.4%
Profit from operations (<i>HK\$'million</i>)	a	58.9	29.0	+103.1%
Profit for the period (<i>HK\$'million</i>)	b	26.3	47.6	-44.8%
Basic earnings per ordinary share (<i>HK cents</i>)	b	2.6	6.1	-57.4%
Financial position		As at 30th September, 2004	As at 31st March, 2004	Percentage change
Total assets (<i>HK\$'million</i>)		6,434.5	4,982.5	+29.1%
Shareholders' funds (<i>HK\$'million</i>)		1,360.4	1,353.2	+0.5%
Current ratio		1.57	1.58	-0.6%

Notes :

- Increase mainly due to the improvement of the profit margin of the construction business of the group of Paul Y. - ITC.
- Decrease mainly due to the share of loss of China Strategic by Paul Y. - ITC and decrease in interests in Downer by Paul Y. - ITC which resulted in the decrease in contribution from associated companies.

REVIEW OF OPERATIONS

Paul Y. - ITC

The principal activities of the Paul Y. - ITC group include building construction, civil engineering, specialist works, property development and investment, development and investment in infrastructure projects and manufacturing and trading of construction materials. In addition, the Paul Y. - ITC group holds investments in major associates including Downer and China Strategic.

The thin margin construction contracts associated with the residual effect of the financial crisis and property slump in the past years have been completed. Improvement in gross margin of the construction business was achieved during the period under review.

During the period, the Paul Y. - ITC group secured new contracts with an aggregate value of approximately HK\$2,795 million, of which some HK\$2,263 million were building construction contracts, some HK\$438 million were civil engineering contracts and some HK\$94 million were specialist works.

As at 30th September, 2004, contracts on hand and the value of work remaining of the Paul Y. - ITC group were HK\$9,309 million and HK\$5,865 million, respectively. The profile of contracts on hand as at 30th September, 2004 is as follows:

	Value of contracts on hand as at 30th September, 2004	Value of work remaining as at 30th September, 2004
	<i>HK\$'million</i>	<i>HK\$'million</i>
Building construction	6,880	4,238
Civil engineering	1,474	1,067
Specialist works	955	560
	<u>9,309</u>	<u>5,865</u>

The uptrend in the Paul Y. - ITC group's remaining work-on-hand and gross margin continues. The Paul Y. - ITC group also adopts a design and build procurement method on a cost plus basis in order to improve margins for construction contracts which as a result, has successfully enable the Paul Y. - ITC group to secure a hotel design and build contract in Macau during the period. With the ongoing vigorous cost saving measures, performance of all construction business segments of the Paul Y. - ITC group improves satisfactorily.

For property operations, the Group's investment property at Paul Y. Centre, being the Group's headquarters in Kwun Tong has recorded a stable overall rental return with an occupancy rate maintained at a level of around 91% at the period end.

For the six months ended 30th September, 2004, Paul Y. - ITC reported a consolidated profit for the period of HK\$38.1 million, and its overall after tax contribution to the Group was a profit of HK\$25.5 million.

On 20th October, 2004, the Company disposed of 77 million shares in Paul Y. - ITC pursuant to the mandate approved by the ordinary shareholders of the Company on 6th October, 2004. Following the disposal on 20th October, 2004 and the receipt of scrip shares from Paul Y. - ITC on 29th October, 2004, the Group's interest was decreased from 55.06% as at 30th September, 2004 to 49.58% as at the date of this announcement, and Paul Y. - ITC has become an associated company of the Company with effect from 20th October, 2004. Details of the mandate and the disposal were disclosed in the Company's circulars dated 21st September, 2004 and 5th November, 2004, respectively.

Subsequent to the period end, the Paul Y. - ITC group has disposed of its entire shareholding in Downer:

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

Strategic Investments

During the six months ended 30th September, 2004, 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 (“US”) 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, 2004, the Group had the following strategic investments:

Listed strategic investments directly held

Hanny Holdings Limited (“Hanny”)

The Hanny group is principally engaged in the manufacture, distribution and marketing of data storage media (primarily floppy disks, CD-R, CD-RW and DVD); distribution and marketing of computer accessories, storage media drives and household electronic products; and securities trading. The Hanny group also makes strategic investments in information

technology, Internet, Internet-related and other businesses. For the six months ended 30th September, 2004, Hanny reported a consolidated loss for the period of HK\$25.0 million and its after tax contribution to the Group was a loss of HK\$6.1 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 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 food, nutritional supplements and personal care products. For the six months ended 30th September, 2004, Burcon’s after tax contribution to the Group was a loss of HK\$2.7 million.

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 is organized through four main divisions, 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

China Strategic is an investment holding company. Through its subsidiaries, China Strategic is engaged in the business of manufacturing of batteries and property investment and development business in the Mainland; and through its associates it is also engaged in manufacturing and marketing of tires in the Mainland and other countries abroad; and the business of providing package tours, travel and other related services; and hotel and leisure related business.

Listed strategic investments indirectly held

PSC Corporation Ltd. (“PSC”)

The PSC group is principally engaged in manufacturing of food and other consumer products, distribution of food and other fast moving consumer goods, logistics and franchising; healthcare consultancy and services; and

education. In addition it is a significant player in Singapore's convenience stores with a network of about 130 franchise retail outlets.

China Enterprises Limited ("China Enterprises")

China Enterprises is an investment holding company and has substantial interests in other investment companies, which through their subsidiaries are principally engaged in the manufacturing and marketing of tires in the Mainland and other countries abroad; and the business of providing package tours, travel and other related services; and hotel and leisure related business. Recently, China Enterprises is engaged in property business by the acquisition of a property in Shanghai.

MRI Holdings Limited ("MRI")

MRI, as an investment company, has continued to make considerable effort to identify suitable investments that fit the approved investment criteria.

Wing On Travel (Holdings) Limited ("Wing On Travel")

Wing On Travel group is principally engaged in the provision of package tours, travel and other related services; and hotel and leisure related business. Wing On Travel group has a substantial interest in a hotel chain branded under the name of "Rosedale" in the Mainland and Hong Kong. Wing On Travel is one of the most experienced and largest local travel agency, and 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, 2004	As at the date of this announcement
Paul Y. - ITC	Hong Kong Stock Exchange	55.1%	49.6%
Hanny	Hong Kong Stock Exchange	24.6%	20.5%
Burcon	TSX Venture Exchange and Frankfurt Stock Exchange	25.0%	25.0%
Downer	Australian Stock Exchange and New Zealand Stock Exchange	11.7%	–
		<i>Effective interest (Note a)</i>	
China Strategic	Hong Kong Stock Exchange	23.4%	20.6%
		<i>Effective interest (Note b)</i>	<i>Effective interest (Note b)</i>

Listed strategic investments indirectly held

Name of investee company	Place of listing	Effective interest	
		As at 30th September, 2004	As at the date of this announcement
PSC	Singapore Exchange Securities Trading Limited	5.6% (Note c)	4.3% (Note c)
China Enterprises	OTC Bulletin Board, US	12.9% (Note d)	11.4% (Note d)
MRI	Australian Stock Exchange	13.4% (Note d)	11.8% (Note d)
Wing On Travel	Hong Kong Stock Exchange	4.2% (Note e)	2.2% (Note e)

Notes:

- (a) The Group's interest is held through its direct interest in Paul Y. - ITC .
- (b) The Group's interest is held through its direct interests in Paul Y. - ITC and Hanny.
- (c) The Group's interest is held through its direct interest in Hanny.
- (d) The Group's interest is held through its effective interest in China Strategic.
- (e) 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, 2004 amounted to approximately HK\$270.3 million. As at 30th September, 2004, the Group had bank borrowings of approximately HK\$568.4 million and other loans of approximately HK\$17.3 million of which HK\$109.4 million and HK\$17.3 million, respectively, are repayable within one year or on demand. In addition, there is a loan from a minority shareholder of approximately HK\$241.0 million which are repayable after one year. The convertible notes in an aggregate principal amounts of HK\$289.5 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.

All of the Group's borrowings are at floating interest rates and the Group's current ratio was 1.57 as at 30th September, 2004.

EXCHANGE RATE EXPOSURE

As at 30th September, 2004, approximately 21.0% of the cash, bank balances and deposits were in other currencies and only 1.4% of the Group's total borrowings of HK\$1,115.9 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\$845.6 million and the shareholders' funds of HK\$1,360.4 million, was 62.2% as at 30th September, 2004 as compared to 42.8% as at 31st March, 2004.

PLEDGE OF ASSETS

As at 30th September, 2004, certain of the Group's properties, investment securities and bank deposits with an aggregate carrying value of approximately HK\$690.1 million 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, 2004, the Group has contingent liabilities in respect of outstanding performance bonds on construction contracts of HK\$431.1 million.

EMPLOYEE AND REMUNERATION POLICY

As at 30th September, 2004, the Group employed a total of approximately 1,200 employees. The Group recruits and promotes individuals based on merit and their development potentials for the positions offered. Remuneration package is structured with reference to individual performance and the prevailing salary levels in the market. The Group also offers other benefits to employees including discretionary bonus, 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

Acquisition of infrastructure development at Yangkou Port

In March 2004, the Group, through Paul Y. - ITC, entered into agreements with an independent third party to acquire 90.1% interest in a company which owns 60% interest in a joint venture for the development of a bulk handling sea port at Yangkou Port, Nantong City, the Mainland. The acquisition was completed in April 2004.

Acquisition of interest in Skynet (International Group) Holdings Limited ("Skynet")

In March 2004, the Group, through Paul Y. - ITC, entered into agreements relating to a capital reorganisation, asset and debt restructuring proposal (the "Skynet Restructuring Proposal") of Skynet, a company which shares are listed on the Hong Kong Stock Exchange. Pursuant to the Skynet Restructuring Proposal, the entire interest of the Paul Y. - ITC group's construction, engineering and concrete products business would be sold to Skynet in exchange of about 95% equity interests in Skynet. The completion of the Skynet Restructuring Proposal is currently expected in January 2005.

Acquisition of property interest in the Mainland

Subsequent to the period end, Paul Y. - ITC acquired a property development company, Yetwide Investments Limited which is principally engaged in a property development project at Taishan Municipality, Guangdong Province in the Mainland.

Disposal of shares in Paul Y. - ITC

On 18th August, 2004, the Board announced that the Group intended to place out sufficient shares in Paul Y. - ITC so that on completion of the placement Paul Y. - ITC will become an associated company of the Company. On 20th October, 2004, the Company disposed of 77 million shares in Paul Y. - ITC at a consideration of HK\$1.05 per share. After the disposal and upon the receipt of scrip shares from Paul Y. - ITC on 29th October, 2004, the Group's interest was decreased from 55.06% as at 30th September, 2004 to 49.58% as at the date of this announcement and Paul Y. - ITC has become an associated company of the Company with effect from 20th October, 2004.

Acquisition of property interest in Hong Kong

On 20th October, 2004, a wholly-owned subsidiary of the Company entered into a provisional sale and purchase agreement with a third party to acquire the whole of the 30th Floor and carparking spaces No. 4087, 4088, 4089 and 4043 on 4th Floor, Bank of America Tower, No. 12 Harcourt Road, Hong Kong at a consideration of approximately HK\$102 million. The acquisition of the property has been approved by the ordinary shareholders of the Company on 26th November, 2004 and is expected to be completed on or before 30th December, 2004. The property will be used as a downtown office for the Group.

Conversion of existing convertible preference shares into redeemable convertible preference shares

Upon the approval by the ordinary shareholders and preference shareholders on 13th October, 2004, the conversion of existing convertible preference shares into redeemable convertible preference shares has taken effect from 3rd November, 2004. The redeemable convertible preference shares will be redeemed, according to their terms, at HK\$1.06 per share on 3rd November, 2007.

SECURITIES IN ISSUE

As at the date of this announcement, the total numbers of issued ordinary shares and issued redeemable convertible preference shares of the Company are 654,294,107 and 267,980,000 respectively of HK\$0.10 each.

OUTLOOK

The recent releases of economic growth rate, unemployment rate and other indicators have confirmed the recovery of the Hong Kong economy. The rebound of property value, the implementation of the Closer Economic Partnership Arrangement (the "CEPA") and the Individual Visit Scheme have all contributed to the economic growth which is expected to continue.

The Group is well-prepared to capture any opportunities in the course of the economy growth and under the CEPA to explore high potential investment and business in Hong Kong and the Mainland. Building on its existing platform with stringent cost control measures to maintain a sound financial management, and under a prudent investment and development policy, the Group continues to pursue its long term strategy and exploring high potential investments and attractive business opportunities. Barring unforeseen circumstances, the Group is poised to face up challenges with great confidence.

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

During the six months ended 30th September, 2004, 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, 2004, 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, 2004 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.

GENERAL

As at the date of this announcement, the Board comprises nine directors, of which (i) six are executive directors, namely, Dr. Chan Kwok Keung, Charles, Mr. Lau Ko Yuen, Tom, Ms. Chau Mei Wah, Rosanna, Mr. Chan Kwok Hung, Mr. Chan Fut Yan and Mr. Cheung Hon Kit; and (ii) three are independent non-executive directors, namely, Mr. Chuck Winston Calptor, Mr. Lee Kit Wah and Mr. Wong Kam Cheong, Stanley.

On behalf of the Board
Dr. Chan Kwok Keung, Charles
Chairman

Hong Kong, 23rd December, 2004

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.