



# ITC Corporation Limited

(Incorporated in Bermuda with limited liability)



INTERIM REPORT  
2000/2001



## 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, 2000. The interim report has been reviewed by the Company’s audit committee.

### *Condensed Consolidated Income Statement*

		(Unaudited)	
		Six months ended	
		30th September,	
		2000	1999
	Notes	HK\$'000	HK\$'000
Turnover	2		
Continuing operations		31,299	47,784
Discontinued operation		–	12,114
		<u>31,299</u>	<u>59,898</u>
Changes in inventories of finished goods		71	(444)
Raw materials and consumables used		(1,537)	(2,108)
Staff costs		(11,696)	(16,498)
Depreciation and amortisation charges		(809)	(2,861)
Other operating expenses		(6,723)	(21,124)
Loss on disposal of investments in securities		(5,409)	–
Unrealised loss on valuation of other investments		(9)	–
		<u>5,187</u>	<u>16,863</u>
Profit from operations		5,187	16,863
Finance costs		(36,978)	(24,887)
Gain (loss) on disposal of subsidiaries		12	(6,349)
Loss arising from the dilution of interest in associates		(12,415)	(112,195)
Provision for impairment loss of associates		(14,641)	–
Share of results of associates		(24,488)	189,516
		<u>(83,323)</u>	<u>62,948</u>
(Loss) profit before taxation		(83,323)	62,948
Taxation	3	5,358	19,345
		<u>(88,681)</u>	<u>43,603</u>
(Loss) profit after taxation		(88,681)	43,603
Minority interests		–	2,122
		<u>(88,681)</u>	<u>41,481</u>
(Loss) profit attributable to shareholders		<u>(88,681)</u>	<u>41,481</u>
(Loss) earnings per share	4		
Basic (cents)		<u>(18.6)</u>	<u>7.9</u>
Diluted (cents)		<u>(19.2)</u>	<u>3.1</u>



*Condensed Consolidated Balance Sheet*

		(Unaudited) 30th September, 2000 <i>HK\$'000</i>	(Audited) 31st March, 2000 <i>HK\$'000</i>
	<i>Notes</i>		
<b>Non-current assets</b>			
Property, plant and equipment	5	27,109	28,090
Investment property		1,230	1,230
Interests in associates		2,158,560	2,095,463
Investments in securities		239,426	270,168
		<u>2,426,325</u>	<u>2,394,951</u>
<b>Current assets</b>			
Trade and other receivables	6	14,879	9,207
Other current assets		50,621	58,815
Bank balances and cash		10,286	52,169
		<u>75,786</u>	<u>120,191</u>
<b>Current liabilities</b>			
Trade and other payables	7	27,328	40,857
Other current liabilities		18,324	18,534
Bank overdrafts		19,140	11,992
		<u>64,792</u>	<u>71,383</u>
<b>Net current assets</b>		<u>10,994</u>	<u>48,808</u>
		<u>2,437,319</u>	<u>2,443,759</u>
<b>Capital and reserves</b>			
Share capital	8	79,394	79,394
Reserves		1,619,993	1,630,053
		<u>1,699,387</u>	<u>1,709,447</u>
<b>Non-current liabilities</b>			
Convertible notes		<u>737,932</u>	<u>734,312</u>
		<u>2,437,319</u>	<u>2,443,759</u>



*Condensed Consolidated Statement of Recognised Gains and Losses*

	(Unaudited)	
	Six months ended	
	30th September,	
	2000	1999
	<i>HK\$'000</i>	<i>HK\$'000</i>
Exchange differences arising on translation of overseas operations	365	(129)
Share of reserves of associates		
Translation reserve	(35,097)	(18,658)
Warrant reserve	14	–
	<u>(34,718)</u>	<u>(18,787)</u>
(Loss) profit attributable to shareholders	<u>(88,681)</u>	<u>41,481</u>
	(123,399)	22,694
Elimination against goodwill reserve arising on acquisition of interests in subsidiaries and associates	82,846	(63,031)
Share of goodwill reserve of associates	<u>(5,850)</u>	<u>(6,119)</u>
Total recognised gains and losses	<u>(46,403)</u>	<u>(46,456)</u>



*Condensed Consolidated Cash Flow Statement*

	(Unaudited)	
	Six months ended	
	30th September,	
	2000	1999
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash inflow (outflow) from operating activities	10,503	(116)
Net cash outflow from returns on investments and servicing of finance	(33,358)	(16,933)
Net cash outflow from investing activities	(26,583)	(101,776)
Net cash outflow before financing	(49,438)	(118,825)
Net cash inflow from financing	—	118,659
Decrease in cash and cash equivalents	(49,438)	(166)
Cash and cash equivalents at beginning of the period	40,177	4,720
Effect of foreign exchange rate changes	407	2
Cash and cash equivalents at end of the period	<u>(8,854)</u>	<u>4,556</u>
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	10,286	16,452
Bank overdrafts	(19,140)	(11,896)
	<u>(8,854)</u>	<u>4,556</u>



Notes:

1. Accounting policies and basis of preparation

The condensed financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain properties and investments in securities, and in accordance with Statement of Standard Accounting Practice 25 “Interim financial reporting” issued by the Hong Kong Society of Accountants. The accounting policies adopted are consistent with those followed in the annual financial statements for the year ended 31st March, 2000. Certain comparative figures have been reclassified to conform with the current period’s presentation.

2. Segmental information

	Turnover		Contribution	
	Six months ended 30th September,		Six months ended 30th September,	
	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<i>By principal activity:</i>				
Continuing operations				
Investment and finance	28,658	44,289	10,077	23,812
Sale of building materials and machinery	2,641	3,495	883	420
	<u>31,299</u>	<u>47,784</u>	<u>10,960</u>	<u>24,232</u>
Discontinued operation				
Toll revenue	–	12,114	–	4,275
	<u>31,299</u>	<u>59,898</u>	<u>10,960</u>	<u>28,507</u>
Corporate expenses				
– Continuing operations			(5,773)	(10,485)
– Discontinued operation			–	(1,159)
Profit from operations			5,187	16,863
Finance costs				
– Continuing operations			(36,978)	(18,498)
– Discontinued operation			–	(6,389)
			<u>(31,791)</u>	<u>(8,024)</u>
Gain (loss) on disposal of subsidiaries			12	(6,349)
Loss arising from the dilution of interest in associates			(12,415)	(112,195)
Provision for impairment loss of associates			(14,641)	–
Share of results of associates			(24,488)	189,516
(Loss) profit before taxation			<u>(83,323)</u>	<u>62,948</u>
<i>By geographical location:</i>				
Continuing operations				
Hong Kong	29,356	45,967	10,207	23,685
Other regions in the People’s Republic of China (the “PRC”)	48	82	23	62
Others	1,895	1,735	730	485
	<u>31,299</u>	<u>47,784</u>	<u>10,960</u>	<u>24,232</u>
Discontinued operation				
PRC	–	12,114	–	4,275
	<u>31,299</u>	<u>59,898</u>	<u>10,960</u>	<u>28,507</u>
Corporate expenses			(5,773)	(11,644)
Profit from operations			<u>5,187</u>	<u>16,863</u>





### 3. 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, 1999 and 30th September, 2000 represents the Group's share of tax on the results of associates.

### 4. (Loss) earnings per share

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

	Six months ended 30th September,	
	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
(Loss) profit for the period	(88,681)	41,481
Dividend for preference shares	(9,245)	(9,245)
(Loss) profit for the purposes of basic (loss) earnings per share ( <i>note</i> )	(97,926)	32,236
Effect of dilutive potential ordinary shares:		
Adjustment to the share of results of associates based on dilution of their earnings per share	(2,883)	(19,358)
(Loss) profit for the purposes of diluted (loss) earnings per share	(100,809)	12,878
	<i>Number of shares</i>	<i>Number of shares</i>
Weighted average number of ordinary shares for the purposes of basic (loss) earnings per share	525,960,774	407,287,428
Effect of dilutive potential ordinary shares:		
Share options	–	4,490,670
Weighted average number of ordinary shares for the purposes of diluted (loss) earnings per share	525,960,774	411,778,098

*Note:* There was no deduction of dividend for preference shares for the computation of the basic earnings per share in the last interim financial report for the six months ended 30th September, 1999. As a result, the basic earnings per share in the last interim financial report for the six months ended 30th September, 1999 was overstated as HK10.2 cents and now restated as HK7.9 cents.

### 5. Acquisition and disposal of property, plant and equipment

During the six months ended 30th September, 2000, the Group spent approximately HK\$653,000 (six months ended 30th September, 1999: HK\$2,341,000) on acquisition of property, plant and equipment while property, plant and equipment with net book value of approximately HK\$97,000 (six months ended 30th September, 1999: HK\$904,000) were disposed of.



## 6. Trade and other receivables

The following is an aged analysis of trade receivables:

	30th September, 2000 <i>HK\$'000</i>	31st March, 2000 <i>HK\$'000</i>
Trade receivables		
0 – 30 days	1,031	694
31 – 60 days	399	49
61 – 90 days	363	18
Over 90 days	2,448	91
	<u>4,241</u>	<u>852</u>
Other receivables, prepayments and deposits	10,638	8,355
	<u>14,879</u>	<u>9,207</u>

The general credit term is 30 to 60 days.

## 7. Trade and other payables

The following is an aged analysis of trade payables:

	30th September, 2000 <i>HK\$'000</i>	31st March, 2000 <i>HK\$'000</i>
Trade payables		
0 – 30 days	12,465	11,028
31 – 60 days	62	64
61 – 90 days	20	–
Over 90 days	38	15
	<u>12,585</u>	<u>11,107</u>
Other payables and accrued charges	14,743	29,750
	<u>27,328</u>	<u>40,857</u>

## 8. Share capital

	30th September, 2000 <i>HK\$'000</i>	31st March, 2000 <i>HK\$'000</i>
Ordinary shares (525,960,774 shares of HK\$0.10 each)	52,596	52,596
Compulsorily convertible cumulative preference shares (267,980,000 shares of HK\$0.10 each)	26,798	26,798
	<u>79,394</u>	<u>79,394</u>

There was no movement in the share capital of the Company in current interim reporting period.





**9. Post balance sheet event**

In November 2000, the Group disposed of all its entire interest in Tung Fong Hung (Holdings) Limited of 242,306,000 shares, representing about 34.0% (33.5% at the date of completion of the transaction as a result of issuance of new shares by Tung Fong Hung (Holdings) Limited upon exercise of share options by the option holders) of the issued share capital of Tung Fong Hung (Holdings) Limited, and a shareholder's loan of HK\$425,604,344 (being substantially the cost of investment in Tung Fong Hung (Holdings) Limited by the Company) to an independent third party for a total cash consideration of about HK\$180 million. The consideration represented an effective price per share in Tung Fong Hung (Holdings) Limited of about HK\$0.743 and a premium of about 207% over the closing price of HK\$0.242 of the shares in Tung Fong Hung (Holdings) Limited on 8th November, 2000. The transaction was completed on 16th November, 2000 and HK\$110 million was received. The balance of about HK\$70 million will be received within six months of completion. The loss arising from the disposal was about HK\$205.6 million.

**10. Material litigation**

The liquidators of Hoi Sing Construction Company Limited ("Hoi Sing"), a former wholly-owned subsidiary of the Company, instituted proceedings against the Company on 10th July, 1998 claiming approximately HK\$297,441,000 plus interest pursuant to an alleged guarantee by the Company for debt owed by Hoi Sing Builders Limited to Hoi Sing. The Company does not admit the existence of the guarantee, and has put Hoi Sing to strict proof of its terms and the amounts claimed under it. Even if the Court upholds the alleged guarantee, the Company has a defence of "set off" arising from a claim against Hoi Sing for approximately HK\$308,207,000. The Company is the largest creditor of Hoi Sing and the liquidators of Hoi Sing have admitted a substantial portion of the Company's claim as at 30th September, 2000. The balance is being adjudicated by the liquidators of Hoi Sing.



## 11. Transactions and balances with related parties

During the period or at the balance sheet date, the Group had transactions/balances with the following related parties, details of which are as follows:

	Six months ended 30th September,	
	2000 HK\$'000	1999 HK\$'000
<i>Transactions</i>		
Associates:		
Sales ( <i>note a</i> )	210	917
Dividend income	6,088	29,319
Rental income received ( <i>note b</i> )	2,328	1,802
Interest income received ( <i>note c</i> )	19,853	1,528
Amounts advanced and fully repaid during the period ( <i>note c</i> )	–	4,000
	<u>          </u>	<u>          </u>
Directors or companies controlled by directors:		
Interest paid by the Group ( <i>note d</i> )	–	180
Interest payable on convertible notes issued by the Group ( <i>note e</i> )	11,701	–
	<u>          </u>	<u>          </u>
	30th September, 2000 HK\$'000	31st March, 2000 HK\$'000
<i>Balances</i>		
Balance due to associates ( <i>note f</i> )	1,007	1,217
Balance due from associates ( <i>note g</i> )	47,043	46,220
Convertible note receivable from an associate ( <i>note h</i> )	385,900	385,900
	<u>          </u>	<u>          </u>

In addition to the above, as at 31st March, 2000 and 30th September, 2000, convertible notes totalling HK\$250,000,000 were payable to Galaxyway Investments Limited, a company in which Dr. Chan Kwok Keung, Charles, a director and a substantial shareholder of the Company has a beneficial interest.

### Notes:

- (a) Sales were carried out by reference to the prevailing market price for comparable transactions.
- (b) Rentals were charged with reference to the market price.
- (c) Interest was charged at prime rate or 1% to 2% over prime rate.
- (d) Interest was charged at prime rate plus 1%.
- (e) Interest was payable based on prime rate as quoted by The Hongkong and Shanghai Banking Corporation Limited.
- (f) The amounts are interest-free, unsecured and repayable on demand.
- (g) The amounts are unsecured and repayable on demand. Approximately HK\$39,440,000 (31st March, 2000: HK\$31,785,000) out of the balance is interest bearing at 1% to 2% over prime rate. The remaining balance is interest-free.
- (h) The convertible note is unsecured and bears interest at prime rate.



## INTERIM DIVIDEND

On the basis of the accounts, the Board has resolved not to pay interim dividend for the six months ended 30th September, 2000 (1999: nil).

Preference share dividend on the 267,980,000 compulsorily convertible 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, 2000 are summarised below:

- Consolidated turnover from continuing operations was decreased by 34.5% to HK\$31.3 million, as compared to last corresponding period of HK\$47.8 million. The decrease in turnover was mainly due to decrease in the sale of securities and other investments.
- Profit from operations was HK\$5.2 million, a decrease of 69.2% as compared to last corresponding period of HK\$16.9 million. The decrease in profit from operations was mainly due to decrease in the profit derived from the sale of securities and other investments.
- Consolidated loss attributable to shareholders was HK\$88.7 million, as compared with the profit of HK\$41.5 million for last corresponding period due to the significant decrease in contributions from associates and the increase in finance costs.
- Basic loss per ordinary share for the period was HK\$0.186 (1999: earnings per share of HK\$0.079).
- Total assets of the Group slightly decreased by 0.5% to some HK\$2,502.1 million and shareholders' funds slightly decreased by 0.6% to approximately HK\$1,699.4 million as compared with the total assets and shareholders' funds as at 31st March, 2000.



### Review of Operations

During the six months ended 30th September, 2000, the principal business of the Group was the holding of significant interests in a number of listed companies in Hong Kong, Canada and Australia and unlisted investments with high potential.

### Strategic Investments in Listed Companies

The Group continued to pursue its long term strategy of exploring potential investments cautiously in the volatile market and to enhance the value of its strategic investments by active participation in or close liaisons with the management of the companies invested. As at 30th September, 2000, the Group had the following strategic investments:

Name of investee company	Information on investee company	Shareholding percentage	
		As at 30th September, 2000	As at the date of this report
Paul Y. - ITC Construction Holdings Limited ("Paul Y. - ITC")	Paul Y. - ITC is a public company with its securities listed in Hong Kong. The Paul Y. - ITC group's principal businesses include, inter alia, building construction, civil engineering, contract mining, contract drilling, infrastructure services and telecommunication facility services, property development and investment, manufacture and trading of construction materials as well as strategic investment in internet related services. It has operations in Hong Kong, the PRC, Southeast Asia, Australia, New Zealand and the South Pacific region. For the six months ended 30th September, 2000, Paul Y. - ITC reported a consolidated loss attributable to shareholders of HK\$50.6 million and its after tax contribution to the Group was a loss of HK\$20.1 million.	40.8%	41.2%
Downer Group Limited ("Downer")	Downer is a public company with its securities listed in Australia. The Downer group's principal businesses include, inter alia, civil engineering, construction, infrastructure services, energy resources and telecommunication facility services. Downer's construction activities commenced in New Zealand during the 1930s. Since then the Downer group has expanded and built a multi-disciplined engineering, construction and resource and mining services business operating in Australia, New Zealand and the Pacific, Southeast Asian and Northeast Asian regions.	24.9% (note a)	25.1% (note a)
Hanny Holdings Limited ("Hanny")	Hanny is a public company with its securities listed in Hong Kong. The Hanny group's principal businesses include, inter alia, the manufacturing, distribution and marketing of data storage media and the distribution and marketing of computer peripherals and accessories; and recently Hanny has emphasis strongly on strategic investments in information technology and internet related businesses and the development of its e-commerce related businesses. For the six months ended 30th September, 2000, Hanny reported a consolidated profit attributable to shareholders of HK\$66.3 million and its after tax contribution to the Group was a profit of HK\$14.0 million.	21.1%	19.5%



## Strategic Investments in Listed Companies (Continued)

Name of investee company	Information on investee company	Shareholding percentage	
		As at 30th September, 2000	As at the date of this report
Tung Fong Hung (Holdings) Limited (“Tung Fong Hung”)	Tung Fong Hung is a public company with its securities listed in Hong Kong. The Tung Fong Hung group’s principal businesses include, inter alia, retailing and wholesale of Chinese medicine, health products and foodstuff, manufacture and trading of western pharmaceutical products, internet business, securities investment, properties investment and money lending. It has retail and distribution operations in Hong Kong and the PRC, and retail operations in Canada, Singapore and Taiwan. For the six months ended 30th September, 2000, Tung Fong Hung reported a consolidated loss attributable to shareholders of HK\$19.4 million and its after tax contribution to the Group was a loss of HK\$6.0 million.	33.1%	– (note b)
Burcon NutraScience Corporation (“Burcon”)	Burcon was incorporated in Canada with its shares listed on the Canadian Venture Exchange. Burcon is committed to developing the world’s first commercial canola protein with a patented process to extract canola protein isolate from canola meal, a co-product of the canola seed crushing industry. Given that Burcon was in the stage of research and development of its business, its results and contribution to the Group for the six months ended 30th September, 2000 were not significant.	27.0%	27.0%
Star East Holdings Limited (“Star East Holdings”)	Star East Holdings is a public company with its shares listed in Hong Kong and is principally engaged in entertainment-related business, including franchising of entertainment complexes offering live entertainment, dancing, karaoke, games and bistro style dining and theme cafes under the “Star East” name, licensing of the “Star East” name and logo, the provision of media agency service and talent management services for entertainers, the production of infotainment programmes such as movies, TV series and documentary programmes, and through STAREASTnet.com Corporation, the development and operation of a global Chinese Internet website, “www.stareastnet.com” which provides entertainment and life-style information. The Star East Holdings group is also engaged in mortgage financing, properties investment and development business.	18.2%	18.7%
STAREASTnet.com Corporation (“STAREASTnet”)	STAREASTnet is a public company with its shares listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and is one of the first Chinese-language internet media group to provide multimedia entertainment and life-style information to the Chinese community worldwide. STAREASTnet produces and distributes original interactive programming through its network of vertically-integrated entertainment portals.	8.2% (note c)	8.0% (note c)

### Notes:

- (a) Represented the Group’s effective interest through its interest in Paul Y. - ITC.
- (b) In November 2000, all the interest held by the Group in Tung Fong Hung was disposed of to an independent third party as disclosed under the section headed “Major Events Subsequent to 30th September, 2000”.
- (c) Represented the Group’s effective interest through its interests in Hanny and Star East Holdings.



### *Liquidity and Capital Resources*

As at 30th September, 2000, the Group's bank overdrafts and other loan repayable within one year or on demand amounted to approximately HK\$36.5 million. The convertible notes in issue at principal values of HK\$150 million, HK\$120 million and HK\$460 million will be redeemed on 14th February, 2002, 5th October, 2002 and 1st March, 2003 (or the next following business day if it is not a business day), respectively. Approximately 1.4% of the Group's total borrowings, including the convertible notes in issue, were denominated in Canadian dollars. The Canadian dollars denominated borrowings are directly tied in with the Group's businesses in Canada. Amongst the Group's borrowings, only the convertible notes of HK\$150 million are at fixed interest rates. Cash, bank balances and deposits as at 30th September, 2000 amounted to approximately HK\$10.3 million of which only 0.9% were in Canadian dollars. The Group's current ratio was 1.2 and the gearing ratio, which was calculated using the Group's net borrowings of HK\$764.1 million and the shareholders' funds of HK\$1,699.4 million, was 45.0% as at 30th September, 2000.

As at 30th September, 2000, the Group's property for resale, land and buildings and certain listed investments with an aggregate carrying value of approximately HK\$925.7 million were pledged to banks and other financial institutions to secure general banking facilities granted to the Group, of which about HK\$903.3 million was released subsequent to 30th September, 2000. The Group did not have any significant contingent liabilities as at 30th September, 2000.

### *Employee and Remuneration Policy*

As at 30th September, 2000, the Group had a total of approximately 37 employees. The Group recruits and promotes individuals based on merit and their development potentials for the positions offered. When formulating staff remuneration and benefit policies, primary considerations are given to their performance and the prevailing salary levels in the market. Through the share option scheme established for the senior personnel, it is intended to integrate their responsibilities, authority and benefits. The Group also provides provident fund and medical insurance schemes to the employees.

### *Major Events Subsequent to 30th September, 2000*

#### **Disposal of Interests in Tung Fong Hung**

In November 2000, the Group completed the disposal of all its entire interest in Tung Fong Hung of 242,306,000 shares, representing about 34.0% (33.5% at the date of completion of the transaction as a result of issuance of new shares by Tung Fong Hung upon exercise of share options by the option holders) of the issued share capital of Tung Fong Hung, and a shareholder's loan of HK\$425,604,344 (being substantially the cost of investment in Tung Fong Hung by the Company) to an independent third party for a total cash consideration of about HK\$180 million, of which HK\$110 million has been paid in cash and the balance of about HK\$70 million will be satisfied in cash within six months of completion. As a result of the disposal, the Group ceased to have any direct interest in Tung Fong Hung.

### *Outlook*

The Group will continue to take priority measures to maintain a sound financial management and, under a prudent and stringent investment and development policy, pursue its long term strategy of exploring potential investments and attractive business opportunities when they arise. With a strong financial foundation and diversified investment portfolio, the Group is well positioned to meet further challenges with great confidence.



## DIRECTORS' INTERESTS IN SECURITIES

As at 30th September, 2000, the interests of the directors of the Company in the securities of the Company or any of its associated corporations, within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), as recorded in the register kept by the Company under section 29 of the SDI Ordinance or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") were as follows:

### (a) Interest in the Company

Name of director	Nature of interest	Number of ordinary shares of the Company held	Amount of 1999 convertible notes of the Company held	Amount of 2000 convertible notes of the Company held	Number of share options of the Company held
Chan Kwok Keung, Charles	Corporate interest	183,181,911 <i>(note)</i>	HK\$50,000,000 <i>(note)</i>	HK\$200,000,000 <i>(note)</i>	–
	Personal interest	–	–	–	10,300,000
Lau Ko Yuen, Tom	Personal interest	–	–	–	6,200,000
Chau Mei Wah, Rosanna	Personal interest	–	–	–	6,200,000
Chan Fut Yan	Personal interest	–	–	–	4,200,000
Chan Kwok Hung	Personal interest	–	–	–	4,200,000

*Note:* Dr. Chan Kwok Keung, Charles was deemed to have a corporate interest in 183,181,911 ordinary shares of the Company, the 1999 convertible notes with a principal amount of HK\$50,000,000 and the 2000 convertible notes with a principal amount of HK\$200,000,000 by virtue of his indirect shareholding in Galaxyway Investments Limited ("Galaxyway") which owned these securities.

### (b) Interest in Paul Y. - ITC

Name of director	Nature of interest	Number of shares of Paul Y. - ITC held	Number of warrants of Paul Y. - ITC held	Number of share options of Paul Y. - ITC held
Chan Kwok Keung, Charles	Corporate interest	399,805,987 <i>(note)</i>	70,905,196 <i>(note)</i>	–
	Personal interest	–	–	19,175,098
Lau Ko Yuen, Tom	Personal interest	–	–	21,778,149
Chan Fut Yan	Personal interest	–	–	21,778,149
Chau Mei Wah, Rosanna	Personal interest	–	–	20,481,199
Cheung Hon Kit	Personal interest	400	80	–

*Note:* The shares and warrants were held by a wholly-owned subsidiary of the Company. By virtue of his deemed interest in the share capital of the Company, Dr. Chan Kwok Keung, Charles was deemed to be interested in these shares and warrants under the SDI Ordinance.





## DIRECTORS' INTERESTS IN SECURITIES (Continued)

### (c) Interest in Hanny

Name of director	Nature of interest	Number of shares of Hanny held	Amount of convertible note of Hanny held	Number of share options of Hanny held
Chan Kwok Keung, Charles	Corporate interest	836,032,336 (note)	HK\$385,900,000 (note)	–
	Personal interest	–	–	59,000,000
Allan Yap	Personal interest	–	–	59,000,000
Chan Kwok Hung	Personal interest	–	–	20,000,000

*Note:* The shares were held by a wholly-owned subsidiary of the Company and the convertible note was held by the Company. By virtue of his deemed interest in the share capital of the Company, Dr. Chan Kwok Keung, Charles was deemed to be interested in these shares and convertible note under the SDI Ordinance.

### (d) Interest in Tung Fong Hung

Name of director	Nature of interest	Number of shares of Tung Fong Hung held	Number of share options of Tung Fong Hung held
Chan Kwok Keung, Charles	Corporate interest	236,196,000 (note)	–
Chan Kwok Hung	Personal interest	–	11,200,000
Cheung Kwok Wah, Ken	Personal interest	–	13,000,000
Wong Kun To	Personal interest	–	13,100,000
Lam Shan	Personal interest	–	2,600,000

*Note:* The shares were held by wholly-owned subsidiaries of the Company. By virtue of his deemed interest in the share capital of the Company, Dr. Chan Kwok Keung, Charles was deemed to be interested in these shares under the SDI Ordinance.

Paul Y. - ITC, Hanny and Tung Fong Hung were associated corporations, within the meaning of the SDI Ordinance, of the Company.

Dr. Chan Kwok Keung, Charles was, by virtue of his deemed interest in the share capital of the Company, deemed to be interested in the securities of the subsidiaries and associated corporations of the Company under the SDI Ordinance.

Save as disclosed above, as at 30th September, 2000, none of the directors of the Company had any personal, family, corporate or other interests in any securities of the Company or any of its associated corporations, within the meaning of the SDI Ordinance, as recorded in the register kept by the Company under section 29 of the SDI Ordinance or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.



## SUBSTANTIAL SHAREHOLDERS

As at 30th September, 2000, the following parties were interested in 10% or more of the issued ordinary share capital of the Company as recorded in the register kept by the Company under section 16(1) of the SDI Ordinance:

Name of shareholder	Number of ordinary shares of the Company held		Percentage of issued ordinary share capital
	Direct interest	Deemed interest	
Chan Kwok Keung, Charles ( <i>note</i> )	–	183,181,911	34.8%
Chinaview International Limited ("Chinaview") ( <i>note</i> )	–	183,181,911	34.8%
Galaxyway	183,181,911	–	34.8%

*Note:* Galaxyway was a wholly-owned subsidiary of Chinaview which was, in turn, wholly-owned by Dr. Chan Kwok Keung, Charles. Chinaview and Dr. Chan Kwok Keung, Charles were both deemed under the SDI Ordinance to be interested in 183,181,911 ordinary shares in the Company held by Galaxyway.

Save as disclosed above, no other parties were recorded in the register kept by the Company under section 16(1) of the SDI Ordinance as having an interest of 10% or more of the issued ordinary share capital of the Company as at 30th September, 2000.

## DISCLOSURE UNDER PRACTICE NOTE 19 TO THE LISTING RULES ("PN19")

As at 30th September, 2000, the aggregate value of financial assistance given to the Company's affiliated companies by the Group amounted to approximately HK\$432.9 million which represented approximately 25.3% of the Group's net asset value of approximately HK\$1,709.4 million as at 31st March, 2000.

The proforma combined balance sheet of the affiliated companies and the Group's attributable interest in these affiliated companies as at 30th September, 2000 are presented below pursuant to paragraph 3.10 of PN19:

	Proforma combined balance sheet <i>HK\$'000</i>	Group's attributable interest <i>HK\$'000</i>
Non-current assets	5,004,462	1,822,566
Current assets	9,406,019	3,236,777
Current liabilities	(6,073,174)	(2,260,932)
Non-current liabilities	(3,126,688)	(1,155,630)
	<u>5,210,619</u>	<u>1,642,781</u>

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

During the six months ended 30th September, 2000, 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 any information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 30th September, 2000, in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange.

By Order of the Board  
Chan Kwok Keung, Charles  
*Chairman*

Hong Kong, 15th December, 2000