



ITC Corporation Limited

(Incorporated in Bermuda with limited liability)

The background of the entire page is a vibrant blue space scene. It features several globes of the Earth, each showing different views of the planet's surface with clouds and continents. The globes are arranged in a circular pattern, with blue curved lines connecting them, suggesting a global network or a cycle. The background is filled with numerous small white stars and larger, faint nebulae, creating a sense of depth and vastness.

Interim Report 1999/2000

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, 1999, together with the comparative figures for the corresponding period in 1998, as follows:

	Six months ended	
	30th September,	
	1999	1998
	HK\$'000	HK\$'000
TURNOVER		
Continuing operations	47,784	25,286
Discontinued operation (Note 1)	12,114	13,866
	<u>59,898</u>	<u>39,152</u>
OPERATING LOSS		
Continuing operations excluding exceptional items	(4,751)	(23,067)
Exceptional items – continuing operations (Note 2)	<u>(112,195)</u>	<u>(32,328)</u>
Operating loss from continuing operations	<u>(116,946)</u>	<u>(55,395)</u>
Discontinued operation excluding exceptional items	(3,273)	(12,603)
Exceptional items – discontinued operation (Note 2)	<u>(6,349)</u>	<u>–</u>
Operating loss from discontinued operation (Note 1)	<u>(9,622)</u>	<u>(12,603)</u>
OPERATING LOSS FROM ORDINARY ACTIVITIES	<u>(126,568)</u>	<u>(67,998)</u>
SHARE OF RESULTS OF ASSOCIATES	<u>189,516</u>	<u>47,126</u>
PROFIT/(LOSS) FROM ORDINARY ACTIVITIES BEFORE TAXATION	<u>62,948</u>	<u>(20,872)</u>
TAXATION (Note 3)	<u>19,345</u>	<u>8,894</u>
PROFIT/(LOSS) BEFORE MINORITY INTERESTS	<u>43,603</u>	<u>(29,766)</u>
MINORITY INTERESTS	<u>2,122</u>	<u>(1,983)</u>
PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS	<u>41,481</u>	<u>(27,783)</u>
EARNINGS/(LOSS) PER SHARE (Note 4)		
Basic (cents)	<u>10.2</u>	<u>(9.1)</u>
Diluted (cents)	<u>3.1</u>	<u>(10.0)</u>

NOTES:

1. DISCONTINUED OPERATION

In June 1999, the Group completed the sale of its entire interest in Prime Tollways Company Limited ("Prime Tollways"), including the assignment of shareholder's loan of approximately US\$24.9 million for an aggregate consideration of US\$13.75 million to an independent third party. Prime Tollways was principally engaged in tollroad management. As a result of the disposal, the Group's operations in the toll revenue business were discontinued.

2. EXCEPTIONAL ITEMS

	Six months ended 30th September,	
	1999	1998
	HK\$'000	HK\$'000
Continuing operations		
Net loss arising from the dilution of interest in associates	(112,195)	-
Provision for loss on investments	-	(32,328)
	<u>(112,195)</u>	<u>(32,328)</u>
Discontinued operation		
Loss on disposal of toll revenue business	<u>(6,349)</u>	-

3. TAXATION

The charge for the current and corresponding period represented share of tax on results of associates.

No provision for taxation for the current period has been made as the Group had no assessable profit for the period.

There is no significant deferred taxation in respect of the timing differences arising during the period.

4. EARNINGS/(LOSS) PER SHARE

	Six months ended 30th September,	
	1999	1998
	HK\$'000	HK\$'000
The calculation of the basic and diluted earnings/(loss) per share is based on the following data:		
Earnings/(Loss)		
Earnings/(Loss) for the purposes of basic earnings/(loss) per share	41,481	(27,783)
Effect of dilutive potential ordinary shares:		
Convertible preference shares dividend	(9,245)	-
Adjustment to the share of results of associates based on dilution of their earnings per share	(19,358)	(2,552)
Earnings/(Loss) for the purposes of diluted earnings/(loss) per share	12,878	(30,335)
Number of ordinary shares		
Weighted average number of ordinary shares for the purposes of basic earnings/(loss) per share	407,287,428	304,123,061
Effect of dilutive potential ordinary shares:		
Share options granted on 18th December, 1998	4,490,670	-
Weighted average number of ordinary shares for the purposes of diluted earnings/(loss) per share	411,778,098	304,123,061

The computation of the diluted earnings per share for the six months ended 30th September, 1999 does not assume the exercise of the Company's outstanding 1999 warrants, convertible preference shares, convertible notes and share options granted on 28th August, 1997 as their respective exercise/conversion price is higher than their respective fair value.

There were no dilutive potential ordinary shares in existence during last corresponding period as their respective exercise price/conversion price is greater than their respective fair value.

The weighted average number of ordinary shares for the purposes of basic loss per share for last corresponding period had been adjusted for the rights issue of three ordinary shares for every two ordinary shares held within last corresponding period and the share consolidation of twenty ordinary shares into one consolidated ordinary share subsequent to the last corresponding period end.

INTERIM DIVIDEND

In view of the deficit carried forward, the Board has resolved not to pay interim dividend for the six months ended 30th September, 1999 (1998: nil).

Cumulative arrears of dividends for the compulsorily convertible preference shares amounting to HK\$9.2 million for the six months ended 30th September, 1999 have not been provided for in the financial statements as the Company will not be in a position to make a distribution in view of the deficit carried forward.

BUSINESS REVIEW AND OUTLOOK

RESULTS

For the six months ended 30th September, 1999, the Group recorded a consolidated turnover of HK\$59.9 million, representing a 52.8% increase over the last corresponding period. The consolidated operating loss from continuing operations excluding exceptional items decreased from HK\$23.1 million for the last corresponding period to HK\$4.8 million for the six months ended 30th September, 1999. With strong results of the associates, the Group achieved a consolidated profit attributable to shareholders of HK\$41.5 million for the six months ended 30th September, 1999, as compared to a loss of HK\$27.8 million for the last corresponding period. The exceptional loss of HK\$112.2 million was due to the dilution of interest in associates as a result of the issue of new shares by these associates. Basic earnings per ordinary share for the period under review was 10.2 cents (1998: loss of 9.1 cents).

REVIEW OF OPERATIONS

During the period under review, the principal businesses of the Group included tollroad management, sale of building materials and machinery and the holding of significant interests in a number of listed companies in Hong Kong and Canada and unlisted investments with high potential.

Tollroad management

In June 1999, the Group completed the disposal of its entire interest in Prime Tollways to an independent third party for an aggregate consideration of US\$13.75 million. The management considered that the disposal of this non-profitable business was beneficial to the Group as a whole.

Strategic investments

In the last financial year, the Group continued to expand its business through acquisition of overseas listed companies and unlisted investments with high potential. As at 30th September, 1999, the following were companies in which the Group had significant interests and active management participation:

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

During the period under review, the Group’s effective interest in Paul Y. – ITC decreased from 39.9% to 36.3%. The decrease was due to the issue of new shares by Paul Y. – ITC under placing and upon exercise of warrants by its warrant holders. For the six months ended 30th September, 1999, Paul Y. – ITC reported a consolidated profit attributable to shareholders of HK\$281.6 million and its after tax contribution to the Group was HK\$110.8 million.

Hanny Holdings Limited (“Hanny”)

During the period under review, the Group’s effective interest in Hanny decreased from 27.8% to 26.3%. The decrease was due to the issue of new shares by Hanny upon exercise of warrants by its warrant holders. For the six months ended 30th September, 1999, Hanny reported a consolidated profit attributable to shareholders of HK\$79.3 million and its after tax contribution to the Group was HK\$21.2 million.

Tung Fong Hung Holdings Limited (“Tung Fong Hung”)

During the period under review, the Group’s effective interest in Tung Fong Hung decreased from 12.8% to 10.5%. The decrease was mainly due to the private placement of new shares by Tung Fong Hung to independent investors.

In September 1999, Hanny exercised a put option and sold 60 million Tung Fong Hung shares to the Group at a consideration of HK\$195 million. The acquisition was completed in October 1999. Following the acquisition, the Group’s effective interest in Tung Fong Hung increased to 20.9% and Tung Fong Hung has become an associate of the Group.

Burcon NutraScience Corporation (“Burcon”, formerly known as Burcon Capital Corp.)

The Group’s 44.4% effective interest in Burcon remained unchanged during the period under review.

Given the early stage of development of the business of Burcon, its results and contribution to the Group for the period under review was not significant.

In October 1999, Burcon completed its acquisition of 100% interest in B.M.W. Canola Inc. of Winnipeg, Manitoba for a consideration of C\$3 million which was satisfied by cash and the issue of 3 million new shares. The issue of 2.7 million new shares with net proceeds of C\$2.4 million was completed at the same time. As a result of these new issues of shares, the Group's effective interest in Burcon decreased to 19.6%.

Star East Group Limited ("Star East Group")

The Group's effective interest in Star East Group was 40% as at 30th September, 1999.

In September 1999, Star East Group completed the disposal of the entire issued share capital of its wholly owned subsidiary, Star East (B.V.I.) Limited to Star East Holdings Limited (formerly known as DC Finance (Holdings) Limited) for an aggregate consideration of HK\$100 million, which was satisfied by the issue of 71.4 million new ordinary shares in Star East Holdings Limited at HK\$0.70 per share and the issue of a HK\$50 million convertible loan note by Star East Holdings Limited. Upon completion of the disposal, the Group held an effective interest of 10.3% in Star East Holdings Limited.

For the six months ended 30th September, 1999, Star East Group reported a consolidated profit attributable to shareholders of HK\$93.3 million which was mainly derived from the profit on disposal of Star East (B.V.I.) Limited as mentioned above. The after tax contribution by Star East Group to the Group was HK\$38.3 million for the period under review.

Star East Holdings Limited ("Star East Holdings")

Upon completion of the transaction mentioned in the section under "Star East Group", the Group held a 10.3% effective interest in Star East Holdings as at 30th September, 1999. Star East Holdings is principally engaged in the franchising of entertainment complexes and theme restaurants, merchandising and licensing, strategic investment in Star East Information Technology Corp. and other internet and information technology related operations, production of movies and infotainment programme and property investment and mortgage financing.

**Star East Information Technology Corp.
("Star East Information")**

During the six months ended 30th September, 1999, the Group's direct interest in Star East Information, which was held through Genius Ideas Limited, a wholly owned subsidiary of the Company, decreased from 50% to 45%. The decrease was due to the issue of new shares by Star East Information to Hikari Tsushin, Inc. ("Hikari"), an independent third party, for a cash consideration of US\$9.5 million, representing 10% of the enlarged issued share capital of Star East Information.

For the six months ended 30th September, 1999, Star East Information reported a consolidated loss attributable to shareholders of HK\$2.4 million and its after tax contribution to the Group was a loss of HK\$1 million.

In November 1999, the Group disposed of 7% equity interest in Star East Information to Hikari for a cash consideration of US\$6.65 million (equivalent to approximately HK\$51.5 million). On the same day, Pacific Century CyberWorks Limited ("Pacific Century"), an independent third party, acquired 10% equity interest in Star East Information by way of subscription of new shares for a cash consideration of US\$10.6 million (equivalent to approximately HK\$81.8 million). On the same day, the Group further disposed of 7% equity interest in the enlarged issued share capital of Star East Information to Pacific Century for a consideration of HK\$57.3 million, which was satisfied by the issue of approximately 8.2 million new shares in Pacific Century at a price of HK\$6.98 per share. Upon completion of these transactions, the Group's direct interest in Star East Information was reduced to 27.2%.

MAJOR EVENTS**Fund raising**

In April 1999, Galaxyway Investments Limited ("Galaxyway"), the single largest shareholder of the Company, placed 48.3 million ordinary shares in the Company to independent professional investors at a price of HK\$0.59 per share and simultaneously subscribed for 70 million new ordinary shares at the same price per share (equivalent to HK\$0.57195 per share after expenses). The net proceeds received by the Company under the subscription, which was completed in May 1999, were approximately HK\$40 million and were used to repay borrowings and as additional working capital of the Company.

Subsequent to the period end, in October 1999 the Company raised about HK\$81 million through the issue of 26 million new ordinary shares to Galaxyway and the placement of 58 million new ordinary shares to independent investors, both at a price of HK\$1.00 per share. At the same time, the Company also raised about HK\$117.5 million through the issue of convertible note of HK\$50 million to Galaxyway and the placement of convertible notes of a total of HK\$70 million (including an over-allotment option of an amount up to HK\$20 million which was fully exercised in November 1999) to independent investors.

Disposal of interest in Genius Ideas Limited ("Genius Ideas")

Subsequent to the period end, in November 1999 the Group entered into a disposal agreement with a wholly owned subsidiary of Hanny pursuant to which that wholly owned subsidiary will acquire from the Group its entire interest in Genius Ideas, the beneficial owner of a portfolio of internet and information technology related assets, including the 27.2% interest held by the Group in Star East Information, at a consideration of HK\$555.9 million, which will be fully satisfied by the issue of convertible note by Hanny. As a result of the disposal, the Group will derive a realised profit of about HK\$300 million and an unrealised profit of about HK\$100 million attributable to its interest in Hanny, and will cease to have any direct interest in Star East Information.

Securities in issue

On 11th November, 1999, the subscription rights attached to the 1999 warrants to subscribe for ordinary shares at a subscription price of HK\$2.00 per share expired and lapsed. A total of 21,285,417 warrants were exercised by the warrant holders, representing approximately 50.7% of the total number of warrants issued by the Company.

As a result of the new issue of shares under the placing and subscription and the exercise of warrants as referred to above, the total number of issued ordinary shares of the Company as at the date of this interim report is 525,960,774.

UNAUDITED PROFORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

HK\$'000

Audited consolidated net tangible assets of the Group as at 31st March, 1999	1,198,358
Add:	
Net proceeds from the issue of 70 million new ordinary shares to Galaxyway in May 1999	40,000
Unaudited consolidated results for the six months ended 30th September, 1999	41,481
Net proceeds from the issue of 26 million new ordinary shares to Galaxyway and the placement of 58 million new ordinary shares to independent investors in October 1999	81,000
Gain on deemed disposal arising from the issue of new shares by Star East Information to Pacific Century in November 1999	25,000
Gain on disposal of interest in Star East Information to Pacific Century and Hikari in November 1999	83,000
Net proceeds from the issue of 21.3 million new ordinary shares upon exercise of warrants in November 1999	42,500
Estimated realised profit upon disposal of internet and information technology related assets to Hanny	<u>300,000</u>
Unaudited proforma adjusted consolidated net tangible assets	<u><u>1,811,339</u></u>

OUTLOOK

The economy of Hong Kong is expected to improve although the pace of recovery is slow. Positive sentiments in the capital markets and ample liquidity in the banking sector will continue to underpin the recovery of the Hong Kong economy.

The Group's long term strategy of exploring potential investments and business opportunities has been implemented some years ago. Recently, the development of internet and information related businesses has proven to be a success. With signs of recovery in the Hong Kong economy, the Group will continue to pursue its long term strategy cautiously, and to enhance the value of its investments by active participation in the management of the companies in which it invests.

Barring unforeseen circumstances, the Board is optimistic about the prospects of the Group for the second half of this financial year as well as the year to come.

YEAR 2000 COMPLIANCE

As mentioned in the last annual report, the Group completed its Year 2000 compliance programme in June 1999 as scheduled. All the major systems, computer applications, software and hardware devices owned or developed by the Group are Year 2000 compliant. The regular upgrading and enhancement of the hardware and software systems of the Group are all Year 2000 compliant. The Group has not made any commitments in respect of the Year 2000 modification costs.

The Group has also developed contingency plans to minimize the effects of possible business interruptions arising from Year 2000 problem so as to maintain business continuity. The contingency plans include the assessment of resources required and the development of alternative courses of actions when a system fails to overcome the Year 2000 problem. The Group has procured and deployed the required resources to carry out prescribed courses of actions when needed.

AUDIT COMMITTEE

In compliance with the requirements of The Stock Exchange of Hong Kong Limited, an audit committee was formed in December 1998. The committee is composed of the two independent non-executive directors of the Company. Its responsibility includes reviewing and supervising the Company's financial reporting process and internal controls.

DIRECTORS' INTERESTS

As at 30th September, 1999, 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 were as follows:

(a) The Company

Name of director	Nature of interest	Number of ordinary shares of the Company held	Number of warrants of the Company held	Number of share options of the Company held
Chan Kwok Keung, Charles	Corporate interest	130,660,457 (Note)	11,529,454 (Note)	-
	Personal interest	-	-	5,400,000
Lau Ko Yuen, Tom	Personal interest	-	-	3,400,000
Chau Mei Wah, Rosanna	Personal interest	-	-	3,400,000
Cheung Kwok Wah, Ken	Personal interest	-	-	1,400,000
Chan Fui Yan	Personal interest	-	-	7,000,000

Note: Dr. Chan Kwok Keung, Charles was deemed to have a corporate interest in 130,660,457 ordinary shares and 11,529,454 warrants of the Company by virtue of his indirect shareholding in Galaxyway which owned these ordinary shares and warrants.

(b) Paul Y. – ITC

Name of director	Nature of interest	Number of ordinary 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	Personal interest	-	-	19,175,098
Lau Ko Yuen, Tom	Personal interest	-	-	16,778,149
Chan Fui Yan	Personal interest	-	-	16,778,149
Chau Mei Wah, Rosanna	Personal interest	-	-	14,381,199

(c) Hanny

Name of director	Nature of interest	Number of ordinary shares of Hanny held	Number of warrants of Hanny held	Number of share options of Hanny held
Allan Yap	Personal interest	-	-	9,000,000
Chan Kwok Hung	Personal interest	-	-	8,100,000
Cheung Kwok Wah, Ken	Personal interest	-	-	2,250,000

Paul Y. – ITC and Hanny were associated corporations, within the meaning of the SDI Ordinance, of the Company.

Save as disclosed above, as at 30th September, 1999, 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.

SUBSTANTIAL SHAREHOLDERS

As at 30th September, 1999, the register kept by the Company under Section 16(1) of the SDI Ordinance showed that the following shareholders had an interest of 10% or more in the issued ordinary share capital of the Company:

Name of shareholder	Number of ordinary shares of the Company held		Shareholding percentage %
	Direct interest	Deemed interest	
Chan Kwok Keung, Charles (Note)	-	130,660,457	31.1
Chinaview International Limited (Note)	-	130,660,457	31.1
Galaxyway	130,660,457	-	31.1

Note: Galaxyway was a wholly-owned subsidiary of Chinaview International Limited which was, in turn, wholly owned by Dr. Chan Kwok Keung, Charles. Chinaview International Limited and Dr. Chan Kwok Keung, Charles were both deemed to be interested in 130,660,457 ordinary shares of the Company.

Save as disclosed above, no other parties were recorded in the register as having an interest of 10% or more of the issued ordinary share capital of the Company as at 30th September, 1999.

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

During the six months ended 30th September, 1999, 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

No director is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the six-month period, 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 of Hong Kong Limited.

By Order of the Board
Chan Kwok Keung, Charles
Chairman

Hong Kong, 17th December, 1999