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## **PAUL Y. - ITC CONSTRUCTION HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*  
(Stock code: 498)

### **ANNOUNCEMENT**

The Board announces the details of advances to and trading balances due from certain entities as at 31st March, 2004 pursuant to Rules 13.13, 13.14 and 13.15 of the Listing Rules.

The Stock Exchange is of the view that the Company may have breached the Listing Rules in respect of what it considers to be the Company's late reporting of matters required by Rules 13.13 to 13.15 of the Listing Rules and reserves its rights to take appropriate actions.

#### **ANALYSIS OF THE ADVANCES AND TRADING BALANCES AS AT 31ST MARCH, 2004**

The board of directors of the Company (the "Board") wishes to disclose pursuant to Rules 13.13 and 13.15 of the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") details of amounts due in respect of money lent (the "Advances") to, and trading balances due from, certain entities (as defined in Rule 13.11(2)(c)) by/to the Company and its subsidiaries (the "Group"), which exceed 8% of one or more of the relevant percentage ratios as set out in Rule 14.07 of the Listing Rules.

This announcement is made as a result of the implementation of the revised Listing Rules which took effect on 31st March, 2004 in which the criteria triggering the disclosure obligations for "advances to an entity" has changed from the previous practice note 19 of the previous Listing Rules to Rules 13.13 and 13.15 of the new Listing

Rules. As the value of the “advances to entities” set out in this Announcement did not exceed 25 percent of the net assets of the Group, no previous announcement was required to be made pursuant to practice note 19 of the previous Listing Rules. Reference is made to the announcement of even date of the Company in relation to disclosure required pursuant to Rule 13.16 of the Listing Rules.

With the implementation of the revised Listing Rules which took effect on 31st March, 2004, the Board wishes to disclose the details of the Advances to and trading balances due from the entities as at 31st March, 2004 which are as follows:

Entities	Amount of Advances (HK\$'000)	Interest rate in relation to the Advances	Amount of trading balances (HK\$'000) (Note 1)	Total (HK\$'000)	Percentage of Total Assets (Note 2)	Percentage of Market Capitalisation (Note 3)
Hanny Holdings Limited, its subsidiaries and its affiliated companies, excluding China Strategic Holdings Limited (“China Strategic”) (Note 6)	149,361	Prime rate + 2%	–	149,361	3.1%	17.3%
China Strategic, its subsidiaries and its affiliated companies, excluding China Velocity Group Limited (“China Velocity”) and Wing On Travel (Holdings) Limited (“Wing On”) (Note 5)	175,700	Prime rate + 2%	1,636	177,336	3.7%	20.6%
China Velocity, its subsidiaries and its affiliated companies (Note 5)	131,702 (Note 4)	Prime rate + 0.25%	641	132,343	2.8%	15.4%
Wing On, its subsidiaries its affiliated companies (Note 5)	87,879	Prime rate + 2%	1,850	89,729	1.9%	10.4%
Bongear Enterprises Limited (Note 5)	80,206	Prime rate + 1%	–	80,206	1.7%	9.3%
Banyan Profits Limited (Note 6)	69,869	Prime rate - 2%	–	69,869	1.5%	8.1%

*Note:*

1. All of the trading balances are interest free.
2. “Total Assets” means the total assets of the Group of HK\$4,765,459,000 as at 30th September, 2003 according to the Group’s consolidated balance sheet as at 30th September, 2003.
3. “Market Capitalisation” is the average closing price of the Company as stated in the daily quotations sheets of the Stock Exchange for the five business days immediately preceding 31st March, 2004.
4. The Advances are repayable by instalment with final maturity on 30th June, 2005.
5. China Strategic and Bongear Enterprises Limited are owned as to 29.4% and 45% by the Company respectively and are also affiliated companies of the Company (as defined in Rule 13.11(2)(a) of the Listing Rules). Wing On and China Velocity are indirectly owned as to 32.2% and 22.7% respectively by China Strategic.
6. The Company does not have any interests in Hanny Holdings Limited and Banyan Profits Limited.

The amounts are unsecured and, except as otherwise stated in note 4 above, are repayable on demand.

The Group made the Advances to these entities for their general working capital purpose in return of interest income. The trading balances above represent amounts arising from rental and related building management services, sharing of administrative services and construction and project management services rendered to the respective entities as follows:

	<b>Rental and related building management services HK\$'000</b>	<b>Construction and project management services HK\$'000</b>	<b>Share of administrative services HK\$'000</b>	<b>Total HK\$'000</b>
China Strategic Group	176	977	483	1,636
China Velocity Group	–	641	–	641
Wing On Group	1,726	–	124	1,850
	<u>1,902</u>	<u>1,618</u>	<u>607</u>	<u>4,127</u>

## **TRADING BALANCES FROM TRADE CUSTOMERS AS AT 31ST MARCH, 2004**

As at 31st March, 2004, the Group has trading balances including retention monies (“Trade Receivable”) due from three trade customers, their subsidiaries and their affiliated companies, which individually exceeded 8% of the consideration ratio as set out in Rule 14.07 of the Listing Rules.

Details of which are set out as below:

	<b>Amount of Trade Receivable (HK\$'000)</b>	<b>Percentage of Total Assets</b>	<b>Percentage of Market Capitalisation</b>
Cyber-port Limited	318,228	6.7%	37%
Cheung Kong (Holdings) Limited, its subsidiaries and affiliated companies ( <i>note</i> )	230,887	4.8%	26.8%
Hutchison Whampoa Limited, its subsidiaries and affiliated companies ( <i>note</i> )	173,793	3.6%	20.2%

*Note:* The amounts of Trade Receivable from (1) Cheung Kong (Holdings) Limited, its subsidiaries and affiliated companies; and (2) Hutchison Whampoa Limited, its subsidiaries and affiliated companies set out in the table above both include the Trade Receivable from Hutchison Whampoa Limited and its subsidiaries in the sum of approximately HK\$95,087,000.

The Trade Receivable, which is unsecured, interest free and with payment terms within 1 month from date of certification, arose from construction services rendered by the Group to the relevant customer. As at 31st March, 2004, there are no other balances due by the entities listed above.

## **DISCLOSURE PURSUANT TO RULE 13.14 OF THE LISTING RULES**

### **Wing On**

In accordance with Rule 13.14 of the Listing Rules, the Advance made to, and trading balance due from, Wing On, its subsidiaries and its affiliated companies was increased during the period from 31st March, 2004 to 21st April, 2004, and the aggregate increase in advances and trading balances during such period exceeded 3% of

the Company's average market capitalization for the five business days immediately preceding 21st April, 2004 (i.e. the average closing price of the Company as stated in the daily quotations sheets of the Stock Exchange for the five business days immediately preceding 21st April, 2004).

For the period from 31st March, 2004 to 21st April, 2004, the additional aggregate Advances made to Wing On, its subsidiaries and its affiliated companies for the purposes of general working capital purposes were HK\$51,551,000 and the addition aggregate increase in trading balances was HK\$174,000. The increase in trading balances represents rental and building management fee due from Wing On, its subsidiaries and its affiliates. The total additional aggregate Advances and trading balances represent 6.0% of the Company's average market capitalization for the five business days immediately preceding 21st April, 2004 (i.e. the average closing price of the Company as stated in the daily quotations sheets of the Stock Exchange for the five business days immediately preceding 21st April, 2004). The total Advances made to and the total trading balances due from Wing On, its subsidiaries and its affiliates as at 21st April, 2004 was HK\$139,430,000 and HK\$2,024,000 respectively.

The additional Advances and the trading balances are unsecured and are repayable on demand. The additional Advances bore an interest at prime rate + 2%. The additional trading balances are interest free.

### **Cheung Kong**

In accordance with Rule 13.14 of the Listing Rules, the Trade Receivable due from Cheung Kong (Holdings) Limited, its subsidiaries and its affiliated companies increased during the period from 31st March, 2004 to 8th May, 2004 by approximately HK\$26,873,000 to approximately HK\$257,760,000 as at 8th May, 2004. The increase exceeded 3% of the Company's average market capitalization for the five business days immediately preceding 8th May, 2004 (i.e. the average closing price of the Company as stated in the daily quotations sheets of the Stock Exchange for the five business days immediately preceding 8th May, 2004). The Trade Receivable is unsecured, interest free and with payment terms within one month from the date of certification and arose from construction services rendered by the Group.

## **TIMING OF DISCLOSURE**

In relation to the information on the trading balances for the Group's construction projects, as the principal business of the Group is in the construction industry, the operations of the Group of which are mainly project based. Under the accounting policy of the Group, value of contract works is recognised by reference to the stage of completion of the contract activity at the balance sheet date. To recognise the value of contract work, the Group's accounting policy requires the obtaining of a certification for each project. Certification is performed on a monthly basis, commencing from the commencement date of the project (for example if a project commences on 25th February, then the monthly value of contract work for that project will be certified for each monthly period commencing on the 25th day of each month and ending on or around the 24th day of the following month). The Group will make an application at the end of each project monthly period for each project, with an estimate of the value of contract work performed. The application will be valued by a quantity surveyor which normally takes 2-4 weeks and after the application has been valued, the relevant appointed architect will confirm the valuation of the quantity surveyor and issue a certification (this will take another further 2-4 weeks). Accounting recognition will be based on the certification of the architect and in cases where the end of each monthly project period is not the actual month end, the value of contract work will be calculated on a pro rata basis for the actual month end.

The certificates in respect of the construction projects for the month ended 31st March, 2004 were received by the Company throughout April and May, 2004, with the last certificate having been received on 25th May, 2004. The Company then had to carry out consolidation, adjustments for the certified value of contract work undertaken for that period and analyse balances for each customer group and as soon as practicable after the Company has finalized such financial information, it has submitted this announcement to the Stock Exchange for clearance in order to comply with the disclosure obligation under Rules 13.13 and 13.15.

The Stock Exchange is of the view that the Company may have breached the Listing Rules in respect of what it considers to be the Company's late reporting of matters required by Rules 13.13 to 13.15 of the Listing Rules and reserves its rights to take appropriate actions.

## **GENERAL**

As at the date of this announcement, the Board comprises ten directors of which (i) eight are executive directors, namely Dr. Chan Kwok Keung, Charles, Mr. Lau Ko Yuen, Tom, Mr. Chan Fut Yan, Mr. Wong Wing Hoo, Billy, Ms. Chau Mei Wah, Rosanna, Mr. Cheung Hon Kit, Mr. Law Man Wah, Conrad and Mr. Lee Hon Chiu; (ii) two are independent non-executive directors, namely Mr. Cheung Ting Kau, Vincent and Mr. Kwok Shiu Keung, Ernest.

By Order of the Board  
**Mui Ching Hung, Joanna**  
*Company Secretary*

Hong Kong, 24th September, 2004

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