
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in ITC Corporation Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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ITC CORPORATION LIMITED

(Incorporated in Bermuda with limited liability)

**PROPOSED REDEMPTION OF EXISTING CONVERTIBLE NOTES
PROPOSED PLACING AND SUBSCRIPTION OF NEW CONVERTIBLE NOTES
(Connected transaction in the case of proposed redemption of
Existing Convertible Notes held by Galaxyway and subscription of
New Convertible Notes by Galaxyway)
AND
INCREASE IN AUTHORISED SHARE CAPITAL**

**Financial adviser to
the Independent Board Committee
of ITC Corporation Limited**



道亨證券有限公司

DaoHengSecurities Ltd.

A letter from the Independent Board Committee is set out on page 15 of this circular. A letter from Dao Heng Securities Limited containing its advice to the Independent Board Committee is set out on pages 16 to 30 of this circular.

A notice convening a special general meeting of ITC Corporation Limited to be held at 11th Floor, Paul Y. Centre, 51 Hung To Road, Kwun Tong, Kowloon, Hong Kong on Wednesday, 9th October, 2002 at 11:00 a.m. is set out on page 37 and page 38 of this circular. Whether or not you are able to attend the meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible to the principal place of business in Hong Kong of ITC Corporation Limited at 33rd Floor, Paul Y. Centre, 51 Hung To Road, Kwun Tong, Kowloon, Hong Kong and in any event not less than 48 hours before the time appointed for holding the meeting. Completion and return of the form of proxy shall not preclude you from attending and voting at the meeting or any adjournment thereof should you so desire.

23rd September 2002

CONTENTS

	<i>Page</i>
Definitions	1
 Letter from the Chairman	
Introduction	4
Redemption and Subscription Agreement	5
Existing Convertible Notes	7
Placing Agreement	8
Principal terms of the New Convertible Notes	9
Shareholding structure of the Company	11
Reasons for the transaction	12
Connected transaction	13
Special General Meeting	13
Recommendations	14
General	14
Letter from the Independent Board Committee	15
Appendix I – Letter from Dao Heng Securities	16
Appendix II – General Information	31
Notice of the Special General Meeting	37

DEFINITIONS

In this circular, the following expressions have the meanings set out below unless the context requires otherwise:

“2002 Convertible Notes”	convertible notes issued by the Company in the aggregate principal amount of HK\$120,000,000, which will be due on 5th October, 2002
“2003 Convertible Notes”	convertible notes issued by the Company in the aggregate principal amount of HK\$460,000,000, which will be due on 1st March, 2003
“Associates”	associates as defined in the Listing Rules
“BNP Paribas Peregrine” or “Placing Agent”	BNP Paribas Peregrine Securities Limited, a securities dealer registered under the Securities Ordinance (Chapter 333 of the Laws of Hong Kong)
“Board”	the board of Directors
“Company”	ITC Corporation Limited, a company incorporated in Bermuda with limited liability, the securities of which are listed on the Stock Exchange
“Completion”	completion of the Redemption and Subscription Agreement
“Dao Heng Securities”	Dao Heng Securities Limited, an investment adviser and dealer registered under the Securities Ordinance (Chapter 333 of the Laws of Hong Kong) and independent financial adviser to the Independent Board Committee in respect of the terms of the Redemption and Subscription Agreement
“Director(s)”	director(s) of the Company
“Existing Convertible Notes”	the 2002 Convertible Notes and the 2003 Convertible Notes
“Galaxyway”	Galaxyway Investments Limited, a controlling Shareholder, which is indirectly wholly-owned by Dr. Chan Kwok Keung, Charles, the chairman and a Director
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

DEFINITIONS

“Independent Board Committee”	an independent committee of the Board comprising Mr. Dominic Lai and Mr. Winston Calptor Chuck
“Independent Shareholders”	Shareholders other than Galaxyway and its Associates
“Latest Practicable Date”	20th September, 2002, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules
“New Convertible Notes”	the convertible notes due 2005 in the aggregate principal amount of up to HK\$580,000,000 to be issued by the Company
“Other Existing Noteholders”	the beneficial holders of the Existing Convertible Notes, other than Galaxyway
“Placing Agreement”	the conditional placing agreement dated 20th September, 2002 entered into between the Placing Agent and the Company in relation to the placing of the New Convertible Notes in the aggregate principal amount of up to HK\$330,000,000
“Prime Rate”	the best lending rate for Hong Kong dollars as quoted by The Hongkong and Shanghai Banking Corporation Limited from time to time
“Preference Shares”	compulsorily convertible cumulative preference shares of HK\$0.10 each in the share capital of the Company
“Redemption and Subscription Agreement”	the conditional redemption and subscription agreement dated 16th September, 2002 and entered into between the Company and Galaxyway in relation to the redemption of the Existing Convertible Notes held by Galaxyway and the subscription of the New Convertible Notes by Galaxyway in the principal amount of HK\$250,000,000
“SDI Ordinance”	the Securities (Disclosure of Interests) Ordinance (Chapter 396 of the Laws of Hong Kong)

DEFINITIONS

“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Special General Meeting”	the special general meeting of the Company to be held at 11th Floor, Paul Y. Centre, 51 Hung To Road, Kwun Tong, Kowloon, Hong Kong on Wednesday, 9th October, 2002 at 11:00 a.m., the notice of which is set out on page 37 and page 38 of this circular
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

LETTER FROM THE CHAIRMAN



ITC CORPORATION LIMITED

(Incorporated in Bermuda with limited liability)

Executive Directors:

Chan Kwok Keung, Charles (*Chairman*)
Lau Ko Yuen, Tom (*Deputy Chairman*)
Chau Mei Wah, Rosanna (*Managing Director*)
Cheung Kwok Wah, Ken
Chan Kwok Hung
Chan Fut Yan
Wong Kun To
Cheung Hon Kit

Independent Non-Executive Directors:

Dominic Lai
Winston Calptor Chuck

Registered office:

Clarendon House
Church Street
Hamilton HM 11
Bermuda

*Principal place of business
in Hong Kong:*

33rd Floor
Paul Y. Centre
51 Hung To Road
Kwun Tong
Kowloon
Hong Kong

23rd September, 2002

*To the Shareholders and, for information only,
holders of the Preference Shares,
the 2002 Convertible Notes and
the 2003 Convertible Notes*

Dear Sir or Madam,

**PROPOSED REDEMPTION OF EXISTING CONVERTIBLE NOTES
PROPOSED PLACING AND SUBSCRIPTION OF NEW CONVERTIBLE NOTES
(Connected transaction in the case of proposed redemption of
Existing Convertible Notes held by Galaxyway and subscription of
New Convertible Notes by Galaxyway)
AND
INCREASE IN AUTHORISED SHARE CAPITAL**

INTRODUCTION

It was announced on 16th September, 2002 that the Company had entered into an agreement with Galaxyway, a controlling Shareholder and therefore a connected person, in relation to, among other things, the redemption of the Existing Convertible Notes in an aggregate principal amount of HK\$250,000,000 held by Galaxyway and, in consideration, subscription of the New Convertible Notes in the principal amount of up to HK\$250,000,000 at face value.

LETTER FROM THE CHAIRMAN

As mentioned in the announcement of the Company dated 16th September, 2002, the Company would also offer to the Other Existing Noteholders to redeem the balance of the Existing Convertible Notes and, in consideration, issue New Convertible Notes at their respective face values to them. In the event that not all the Other Existing Noteholders accepted such offer, the Company intends to offer the balance of the New Convertible Notes to the other independent investors. Subsequent to such announcement, the Company had entered into the Placing Agreement on 20th September, 2002 with BNP Paribas Peregrine in relation to, among other things, the placing of the New Convertible Notes of up to HK\$330,000,000 on a best endeavours basis.

The purpose of this circular is to provide further information in relation to the Redemption and Subscription Agreement and the Placing Agreement, to set out the recommendation of the Independent Board Committee and advice from Dao Heng Securities in relation to the Redemption and Subscription Agreement, and to give you notice of the Special General Meeting.

REDEMPTION AND SUBSCRIPTION AGREEMENT

Date

16th September, 2002

Parties

- (1) The Company
- (2) Galaxyway, a controlling Shareholder, which is indirectly wholly-owned by Dr. Chan Kwok Keung, Charles, the chairman and a Director

Subject matter

Under the Redemption and Subscription Agreement, the Company will redeem the Existing Convertible Notes in an aggregate principal amount of HK\$250,000,000 held by Galaxyway and, in consideration, issue New Convertible Notes in the principal amount of up to HK\$250,000,000 to Galaxyway at face value.

Pursuant to the Redemption and Subscription Agreement, Galaxyway agreed to change the repayment date of the 2002 Convertible Notes held by it from 5th October, 2002 to the date of Completion, or the date of termination or rescission of the Redemption and Subscription Agreement, or 3rd March, 2003 (being the long stop date for the Redemption and Subscription Agreement) whichever is the earliest. Interest will be accrued on the Existing Convertible Notes held by Galaxyway at Prime Rate during the period from 5th October, 2002 to the date of redemption. The execution of the Redemption and Subscription Agreement will not affect the conversion rights attaching to the Existing Convertible Notes, which will continue to be

LETTER FROM THE CHAIRMAN

valid and exercisable until the respective maturity dates of the Existing Convertible Notes. Any exercise of the conversion rights attaching to the Existing Convertible Notes by Galaxyway before their respective maturity dates, will reduce the aggregate principal amount of the Existing Convertible Notes to be redeemed and, thus reduce the corresponding principal amount of New Convertible Notes to be subscribed by Galaxyway.

The Existing Convertible Notes do not provide for any early redemption thereof. The Redemption and Subscription Agreement provides that if Completion takes place prior to the respective maturity dates of the Existing Convertible Notes, the Existing Convertible Notes held by Galaxyway shall be redeemed on the date of Completion and the redeemed principal amount shall be applied for the subscription of the New Convertible Notes by Galaxyway.

Conditions

The Redemption and Subscription Agreement is conditional upon, inter alia, the fulfilment of the following conditions:

- a. approval by the Shareholders of an increase in the authorised ordinary share capital of the Company from HK\$200,000,000 to HK\$300,000,000 by the creation of 1,000,000,000 new Shares;
- b. approval of the issue of the New Convertible Notes to Galaxyway under the Redemption and Subscription Agreement, and the issue of new Shares falling to be issued upon the exercise of the conversion rights attaching to the New Convertible Notes to be issued to Galaxyway, by the Independent Shareholders at a special general meeting of the Company;
- c. the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the new Shares falling to be issued upon the exercise of the conversion rights attaching to the New Convertible Notes to be issued to Galaxyway; and
- d. the Bermuda Monetary Authority granting approval to the issue of the New Convertible Notes and the new Shares falling to be issued upon the exercise of the conversion rights attaching to the New Convertible Notes to be issued to Galaxyway.

The Redemption and Subscription Agreement is not conditional upon the Placing Agreement becoming unconditional. Completion of the Redemption and Subscription Agreement is expected to take place on or around 11th October, 2002.

In the event that any of the above conditions in relation to the Redemption and Subscription Agreement have not been fulfilled or waived by 3rd March, 2003, the Redemption and Subscription Agreement will be void and be of no effect and neither party shall have any further obligations and liabilities thereunder.

LETTER FROM THE CHAIRMAN

EXISTING CONVERTIBLE NOTES

As at the Latest Practicable Date, the Company has two series of convertible notes outstanding. Particulars of the Existing Convertible Notes are set out below:

	Principal amount <i>HK\$</i>	Interest rate	Issue date	Maturity date and last date for conversion	Prevailing conversion price <i>HK\$</i>	Shares to be issued upon conversion
2002 Convertible Notes	120,000,000	Prime Rate	5th October, 1999 & 3rd November, 1999*	5th October, 2002	1.06	113,207,547
2003 Convertible Notes	460,000,000	Prime Rate	29th February, 2000 & 30th March, 2000*	1st March, 2003	1.68	273,809,523
	<u>580,000,000</u>					<u>387,017,070</u>

* The above issue dates represent the dates of further issues and further subscriptions of the 2002 Convertible Notes and the 2003 Convertible Notes by the Other Existing Noteholders.

Up to the Latest Practicable Date, none of the holders of the Existing Convertible Notes had exercised the conversion rights attaching to such convertible notes.

Particulars of the Existing Convertible Notes held by Galaxyway and the Other Existing Noteholders are set out as follows:

Existing Convertible Notes	Principal amount of the Existing Convertible Notes held by Other Existing		Total <i>HK\$</i>
	Galaxyway <i>HK\$</i>	Noteholders <i>HK\$</i>	
2002 Convertible Notes	50,000,000	70,000,000	120,000,000
2003 Convertible Notes	200,000,000	260,000,000	460,000,000
	<u>250,000,000</u>	<u>330,000,000</u>	<u>580,000,000</u>

LETTER FROM THE CHAIRMAN

PLACING AGREEMENT

Date

20th September, 2002

Parties

Issuer: the Company

Placing agent: BNP Paribas Peregrine

BNP Paribas Peregrine has been appointed by the Company as the Placing Agent in relation to the placing of the New Convertible Notes to the Other Existing Noteholders and/or other independent investors. The placing of the New Convertible Notes is to be undertaken on a best endeavours basis and is not underwritten by the Placing Agent.

Subject matter

Under the Placing Agreement, the Placing Agent would place the New Convertible Notes with an aggregate principal amount of up to HK\$330,000,000 to the Other Existing Noteholders and/or other independent investors on a best endeavours basis. The Company would pay to the Placing Agent, commission and all such costs and fees as may incur by the Placing Agent in connection with the placing of the New Convertible Notes.

For the Other Existing Noteholders who subscribe the New Convertible Notes, New Convertible Notes would be issued to them at face value, and their holdings of the Existing Convertible Notes would be redeemed at their respective face values as consideration. For those Other Existing Noteholders who do not subscribe the New Convertible Notes, the Existing Convertible Notes held by them would be redeemed at the respective maturity dates according to the terms and conditions of the respective Existing Convertible Notes. The Placing Agent would then place the balance of the New Convertible Notes, which have not been subscribed by the Other Existing Noteholders to other independent investors for their subscription. In the event that all of the HK\$330,000,000 New Convertible Notes were subscribed by the Other Existing Noteholders and/or other independent investors, New Convertible Notes in an aggregate amount of HK\$580,000,000 will be issued to Galaxyway, the Other Existing Noteholders and/or other independent investors.

Independence of the Placing Agent and the placees

The Placing Agent is, and the placees and their respective ultimate beneficial owners are, and will be, independent of the Directors, chief executives, substantial shareholders of the Company, any of its subsidiaries, or their respective Associates.

Under the Placing Agreement, there is no limitation on the number of placees to be procured by the Placing Agent. In the event that the number of placees is less than six upon completion of the Placing Agreement, a further announcement will be made. The Directors

LETTER FROM THE CHAIRMAN

do not expect at this stage that the placing of the New Convertible Notes will result in an introduction of any substantial Shareholder upon the exercise of the conversion rights attaching to the New Convertible Notes. A further announcement will be made by the Company if there is an introduction of any substantial Shareholder as a result of the placing of the New Convertible Notes upon the exercise of the conversion rights attaching to the New Convertible Notes.

Conditions

The Placing Agreement is conditional upon, inter alia, the fulfilment of the following conditions:

- a. approval by the Shareholders of an increase in the authorised ordinary share capital of the Company from HK\$200,000,000 to HK\$300,000,000 by the creation of 1,000,000,000 new Shares;
- b. approval of the issue of new Shares falling to be issued upon the exercise of the conversion rights attaching to the New Convertible Notes to be issued to the Other Existing Noteholders and/or other independent investors, by the Shareholders at a special general meeting of the Company;
- c. the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the new Shares falling to be issued upon the exercise of the conversion rights attaching to the New Convertible Notes to be issued to the Other Existing Noteholders and /or other independent investors;
- d. the Bermuda Monetary Authority granting approval to the issue of the New Convertible Notes and the new Shares falling to be issued upon the exercise of the conversion rights attaching to the New Convertible Notes to be issued to the Other Existing Noteholders and/or other independent investors; and
- e. the Redemption and Subscription Agreement becoming unconditional in all respects.

Subject to the fulfilment or waiver of the aforesaid conditions, the Placing Agent would place the New Convertible Notes to the Other Existing Noteholders and/or other independent investors on or before 3rd March, 2003.

PRINCIPAL TERMS OF THE NEW CONVERTIBLE NOTES

Issuer : The Company

Principal amount : up to HK\$580,000,000

LETTER FROM THE CHAIRMAN

Conversion price : HK\$0.30 per Share, subject to adjustments, representing a premium of about 20.0 per cent. over the average closing price of HK\$0.25 per Share as quoted on the Stock Exchange for the last 10 trading days up to and including 20th September, 2002 and a premium of about 30.4 per cent. over the closing price of 0.23 per Share as quoted on the Stock Exchange on 20th September, 2002

The new Shares to be issued upon exercise of the conversion rights attaching to the New Convertible Notes will be free from all liens, charges and encumbrances and will rank pari passu in all respects among themselves and with the Shares in issue on the relevant date of exercise of conversion rights

Assuming that New Convertible Notes in an aggregate principal amount of HK\$250,000,000 are issued to Galaxyway and the conversion rights attaching to the New Convertible Notes to be issued to Galaxyway are exercised in full, a total of 833,333,333 new Shares will be issued to Galaxyway, which represent approximately 132.1 per cent. of the existing issued ordinary share capital of the Company, and approximately 56.9 per cent. of the issued ordinary share capital of the Company as enlarged by the new Shares to be issued upon full exercise of such conversion rights, assuming no other issue or repurchase of Shares is made before such conversion

Assuming that New Convertible Notes in an aggregate principal amount of HK\$580,000,000 (including those proposed to be issued to Galaxyway) are issued and the conversion rights attaching to the New Convertible Notes are exercised in full, a total of 1,933,333,333 new Shares will be issued, which represent approximately 306.4 per cent. of the existing issued ordinary share capital of the Company, and approximately 75.4 per cent. of the issued ordinary share capital of the Company as enlarged by the new Shares to be issued upon full exercise of such conversion rights, assuming no other issue or repurchase of Shares is made before such conversion

Interest : Prime Rate, payable semi-annually in arrears

Conversion period : The New Convertible Notes may be converted in whole or in part (in integral multiples of HK\$100,000) at any time 3 months after the date of issue of the New Convertible Notes until maturity

Maturity : The Company shall repay the outstanding principal amount of the New Convertible Notes, together with interests accrued from the last interest payment date up to and including the date of repayment, on the third anniversary of the date of issue of the New Convertible Notes

LETTER FROM THE CHAIRMAN

- Transfer** : The New Convertible Notes may not be assigned or transferred without prior written consent of the Company except to the subsidiaries or the holding company of the holders of the New Convertible Notes and may not be assigned or transferred to connected persons (as defined in the Listing Rules) of the Company without the prior written consent of the Company. The Company will immediately notify the Stock Exchange, upon the Company becoming aware of any dealings in the New Convertible Notes by connected persons of the Company
- Listing** : No application will be made for the listing of, and permission to deal in, the New Convertible Notes on any stock exchange. Application will be made to the Stock Exchange for the listing of new Shares to be issued on exercise of the conversion rights attaching to the New Convertible Notes

SHAREHOLDING STRUCTURE OF THE COMPANY

The following table shows (i) the existing shareholding structure of the Company; (ii) the shareholding structure upon full conversion of the New Convertible Notes to be issued to Galaxyway; (iii) the shareholding structure upon full conversion of the New Convertible Notes to be issued to Galaxyway and of the Preference Shares; (iv) the shareholding structure upon full conversion of the New Convertible Notes; and (v) the shareholding structure upon full conversion of the New Convertible Notes and of the Preference Shares.

	Existing		Upon full conversion of the New Convertible Notes to be issued to Galaxyway		Upon full conversion of the New Convertible Notes to be issued to Galaxyway and of the Preference Shares		Upon full conversion of the New Convertible Notes**		Upon full conversion of the New Convertible Notes** and of the Preference Shares	
	Shares	%	Shares	%	Shares	%	Shares	%	Shares	%
Galaxyway	219,681,911	34.8	1,053,015,244	71.9	1,053,015,244	71.3	1,053,015,244	41.1	1,053,015,244	40.9
Other shareholders	411,278,863	65.2	411,278,863	28.1	424,677,863	28.7	1,511,278,863	58.9	1,524,677,863	59.1
Total	630,960,774	100.0	1,464,294,107	100.0	1,477,693,107	100.0	2,564,294,107	100.0	2,577,693,107	100.0

** Assuming that the New Convertible Notes in an aggregate principal amount of HK\$330,000,000 are issued to the Other Existing Noteholders and/or other independent investors pursuant to the Placing Agreement.

Note:

As at the Latest Practicable Date, the Company had 267,980,000 Preference Shares in issue. The Preference Shares are non-voting, non-redeemable and are entitled to a cumulative dividend of HK\$0.069 per Preference Share per annum. The Preference Shares rank in priority to the Shares as to dividends and return of capital. The Preference Shares are convertible into Shares on a twenty-for-one basis at the option of the holders thereof at any time, and at the option of the Company in any of the following cases:

- the closing price of the Shares is 125% or more of the adjusted conversion value of HK\$21.20, subject to further adjustments, for twenty consecutive trading days; or
- there are less than 50,000,000 Preference Shares in issue.

LETTER FROM THE CHAIRMAN

As shown in the above table, the interest of Galaxyway in the Company will increase as a result of the exercise of the conversion rights attaching to the New Convertible Notes to be issued to Galaxyway. Galaxyway will comply with the relevant provisions of The Hong Kong Code on Takeovers and Mergers which may be applicable to Galaxyway's possible increase in shareholding interests in the Company resulting from the exercise of the conversion rights attaching to the New Convertible Notes to be issued to Galaxyway. Further announcements will be made by the Company if the subscription of the New Convertible Notes by other independent investors and subsequent conversion of the New Convertible Notes issued to them will introduce a substantial shareholder or create a general offer obligation under The Hong Kong Code on Takeovers and Mergers.

REASONS FOR THE TRANSACTION

The Company has outstanding Existing Convertible Notes amounting to HK\$580,000,000, out of which the 2002 Convertible Notes of an aggregate outstanding principal amount of HK\$120,000,000 will be due on 5th October, 2002 with the balance, being the 2003 Convertible Notes of an aggregate outstanding principal amount of HK\$460,000,000 to be due on 1st March, 2003. The Shares have been trading within the range of HK\$0.22 to HK\$0.62 with an average closing price of HK\$0.36 over the 120 trading days ended 20th September, 2002. With conversion prices as high as HK\$1.06 and HK\$1.68 per Share respectively comparing to the prevailing market price of the Shares, the Board does not expect that the Existing Convertible Notes, in particular, the 2002 Convertible Notes would be converted by maturity.

The principal assets of the Group comprise its interests in various associated companies and amounts due from associated companies, which as at 31st March, 2002, amounted to approximately HK\$1,797 million and HK\$149 million respectively, out of a total assets amounting to approximately HK\$2,116 million as at the same date. As at 31st March, 2002, total liabilities of the Group amounted to approximately HK\$626 million, which mainly comprised the Existing Convertible Notes with an aggregate principal amount of HK\$580 million. In view of the financial position and internal resources of the Group and in light of the current market conditions, the Board considers that refinancing the respective Existing Convertible Notes virtually through extending the repayment period and adjusting the conversion prices of the Existing Convertible Notes might be the best option available to the Company. As such, the Board has opted to put forward the proposal to the holders of the Existing Convertible Notes. The terms of the Redemption and Subscription Agreement have been arrived at after arms length negotiations between the Company and Galaxyway. The Board considers such terms are in the interests of the Company. The Board considers that the terms of the Placing Agreement, which were arrived at after arm's length negotiations between the Company and the Placing Agent, are fair and reasonable, and are in the interests of the Company.

LETTER FROM THE CHAIRMAN

CONNECTED TRANSACTION

The redemption of the Existing Convertible Notes held by Galaxyway and the subscription of the HK\$250,000,000 New Convertible Notes by Galaxyway under the Redemption and Subscription Agreement constitutes a connected transaction for the Company under the Listing Rules, and will be subject to, among other things, the approval by the Independent Shareholders. Galaxyway and its Associates will abstain from voting at the Special General Meeting with regard to the resolution to be proposed to approve the Redemption and Subscription Agreement.

The Independent Board Committee has been appointed to advise the Independent Shareholders in respect of the Redemption and Subscription Agreement. Dao Heng Securities has been appointed to advise the Independent Board Committee in connection with the Redemption and Subscription Agreement.

SPECIAL GENERAL MEETING

Set out on page 37 and page 38 of this circular is a notice convening the Special General Meeting at which ordinary resolutions will be proposed to Shareholders to consider and, if thought fit, to approve, among other things:

- the increase in authorised share capital; and
- the Placing Agreement.

An ordinary resolution will also be proposed to the Independent Shareholders to consider and, if thought fit, to approve, among other things, the Redemption and Subscription Agreement.

A form of proxy for use at the Special General Meeting is enclosed. Whether or not you are able to attend the meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible to the principal place of business in Hong Kong of the Company at 33rd Floor, Paul Y. Centre, 51 Hung To Road, Kwun Tong, Kowloon, Hong Kong and in any event not less than 48 hours before the time appointed for holding the meeting. Completion and return of the form of proxy shall not preclude you from attending and voting at the meeting or any adjournment thereof should you so desire.

LETTER FROM THE CHAIRMAN

RECOMMENDATIONS

The Independent Board Committee, after taking into account the opinions from Dao Heng Securities, is of the opinion that the Redemption and Subscription Agreement is in the interests of the Company and the Independent Shareholders taken as a whole and the terms of the Redemption and Subscription Agreement are fair and reasonable so far as the Independent Shareholders are concerned.

Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of ordinary resolution no. 2, which will be proposed at the Special General Meeting to approve the Redemption and Subscription Agreement.

Your attention is drawn to (i) the letter from the Independent Board Committee which follows this letter and contains the recommendations of the Independent Board Committee to the Independent Shareholders concerning the Redemption and Subscription Agreement and (ii) the letter from Dao Heng Securities as set out in appendix I to this circular and contains the advice of Dao Heng Securities to the Independent Board Committee in relation to the Redemption and Subscription Agreement and the principal factors and reasons considered by Dao Heng Securities in arriving at its advice.

The Board considers that the proposed increase in authorised share capital and the Placing Agreement are in the interest of the Company, and the terms of the Placing Agreement are fair and reasonable so far as Shareholders are concerned. Accordingly, the Board recommends the Shareholders to vote in favour of ordinary resolution no. 1 and ordinary resolution no. 3, which will be proposed at the Special General Meeting to approve: (i) the increase in authorised share capital; and (ii) the Placing Agreement.

GENERAL

The Group is principally engaged in investment and property holding, provision of finance, and trading of building materials and machinery.

Application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the new Shares falling to be issued upon the exercise of the conversion rights attaching to the New Convertible Notes.

Your attention is drawn to the general information set out in appendix II to this circular.

Yours faithfully,
Dr. Chan Kwok Keung, Charles
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



ITC CORPORATION LIMITED

(Incorporated in Bermuda with limited liability)

23rd September 2002

To the Independent Shareholders

Dear Sir or Madam,

**PROPOSED REDEMPTION OF EXISTING
CONVERTIBLE NOTES HELD BY GALAXYWAY AND
SUBSCRIPTION OF NEW CONVERTIBLE NOTES BY GALAXYWAY
(CONNECTED TRANSACTION)**

We refer to the proposed redemption of the Existing Convertible Notes held by Galaxyway and the proposed subscription of up to HK\$250,000,000 New Convertible Notes by Galaxyway pursuant to the Redemption and Subscription Agreement, which under the Listing Rules, constitutes a connected transaction for the Company.

We have been appointed by the Board to advise the Independent Shareholders on the Redemption and Subscription Agreement. In this connection, Dao Heng Securities has been appointed to advise us as to on whether the terms of the Redemption and Subscription Agreement are fair and reasonable so far as the Independent Shareholders are concerned and whether the Redemption and Subscription Agreement is in the interests of the Company and the Independent Shareholders as a whole. Details of the Redemption and Subscription Agreement are contained in the letter from the Chairman set out on pages 4 to 14 of this circular.

We wish to draw your attention to the letter of advice from Dao Heng Securities in appendix I to this circular. We have noted the letter and the advice contained therein and have considered, amongst others, the various factors contained in such letter. In our opinion, the Redemption and Subscription Agreement is in the interests of the Company and the Independent Shareholders taken as a whole and the terms of the Redemption and Subscription Agreement are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution no. 2 which will be proposed at the Special General Meeting to approve the Redemption and Subscription Agreement.

Yours faithfully,

For and on behalf of

the Independent Board Committee of

ITC Corporation Limited

Dominic Lai

Winston Calptor Chuck

The following is the text of the letter of advice to the Independent Board Committee from Dao Heng Securities in connection with the terms of the Redemption and Subscription Agreement, which has been prepared for the purpose of inclusion in this circular.



23rd September, 2002

To the Independent Board Committee

Dear Sirs,

**PROPOSED REDEMPTION OF EXISTING
CONVERTIBLE NOTES HELD BY GALAXYWAY AND
SUBSCRIPTION OF NEW CONVERTIBLE NOTES BY GALAXYWAY
(CONNECTED TRANSACTION)**

INTRODUCTION

We refer to our engagement by the Company as independent financial adviser to advise the Independent Board Committee with respect to the terms of the Redemption and Subscription Agreement entered into between the Company and Galaxyway on 16th September, 2002, details of which are set out in the circular to Shareholders dated 23rd September, 2002 (the "Circular"), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

As Galaxyway is a controlling Shareholder holding approximately 34.8% of the existing issued ordinary share capital of the Company and Galaxyway is indirectly wholly-owned by Dr. Chan Kwok Keung, Charles, the chairman and a Director, the transaction contemplated under the Redemption and Subscription Agreement constitutes a connected transaction of the Company for the purpose of the Listing Rules and is conditional upon, among other things, the approval of the Independent Shareholders at the special general meeting of the Company.

Our role as the independent financial adviser to the Independent Board Committee is to give our opinion as to whether the terms of the Redemption and Subscription Agreement are fair and reasonable so far as the Independent Shareholders are concerned.

In formulating our recommendations, we have relied on the accuracy of the information and representations contained in the Circular, which have been provided by the Directors, and have assumed that all information and representations made or referred to in the Circular are true and accurate in all material respects and that all expectations and intentions of the Company or the Directors will be met or carried out as the case may be. We have no reason

to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and have been advised by the Directors that no material facts have been omitted from the information provided and referred to in the Circular. We consider that we have reviewed sufficient information to reach an informed view and to justify relying on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice. We have not, however, conducted any independent investigation into the business and affairs or the financial position or the future prospects of the Group.

BACKGROUND

On 16th September, 2002, the Company and Galaxyway entered into the Redemption and Subscription Agreement pursuant to which, inter alia, the Company conditionally agreed to redeem the Existing Convertible Notes in an aggregate principal amount of HK\$250 million held by Galaxyway and in consideration of the foregoing, Galaxyway conditionally agreed to subscribe for the New Convertible Notes with an aggregate principal amount of up to HK\$250 million. As regards the remaining Existing Convertible Notes with an aggregate face value amounting to HK\$330 million, the Company would offer to these noteholders to redeem their Existing Convertible Notes by issuing the New Convertible Notes to them with face values equal to the face values of the Existing Convertible Notes and on substantially similar terms and conditions to those contained in the Redemption and Subscription Agreement. Should all these noteholders accept such offer, the face value of the New Convertible Notes will amount to HK\$580 million (inclusive of those to be issued to Galaxyway). In addition, as stated in the Letter from the Chairman in the Circular, BNP Paribas Peregrine has been appointed by the Company as the Placing Agent in relation to the placing of the New Convertible Notes to the Other Existing Noteholders and/or other independent investors. The placing of the New Convertible Notes is to be undertaken on a best endeavours basis and is not underwritten by the Placing Agent.

A summary of the major terms of the Existing Convertible Notes and the New Convertible Notes is set out as follows:

	Existing Convertible Notes	New Convertible Notes
Principal amount	2002 Convertible Notes: HK\$120 million 2003 Convertible Notes: HK\$460 million	Up to HK\$580 million
Conversion price	2002 Convertible Notes: HK\$1.10 per Share (subject to adjustments) (adjusted to HK\$1.06 per Share in June 2001) 2003 Convertible Notes: HK\$1.75 per Share (subject to adjustments) (adjusted to HK\$1.68 per Share in June 2001)	HK\$0.30 per Share (subject to adjustments)
Interest rate	Prime Rate	Prime Rate
Maturity Date	2002 Convertible Notes: 5th October, 2002 (three-year term) 2003 Convertible Notes: 1st March, 2003 (three-year term)	The third anniversary of the date of issue of the New Convertible Notes
Noteholders	2002 Convertible Notes: as to HK\$50 million held by Galaxyway and as to HK\$70 million held by independent investors 2003 Convertible Notes: as to HK\$200 million held by Galaxyway and as to HK\$260 million held by independent investors	Up to HK\$250 million to be held by Galaxyway and up to HK\$330 million to be held by independent investors

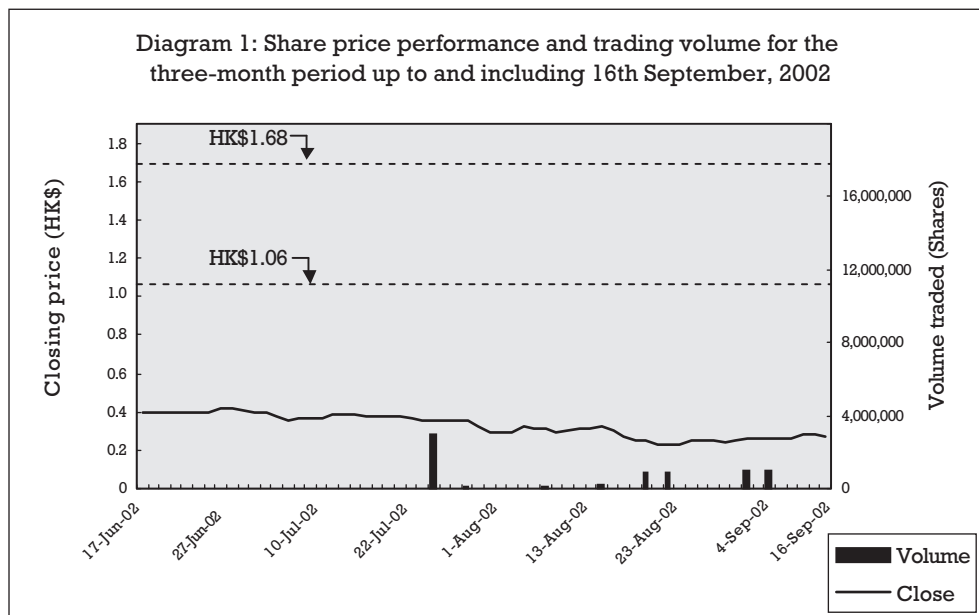
PRINCIPAL FACTORS AND REASONS CONSIDERED

In giving our opinion as to the fairness and reasonableness of the terms of the Redemption and Subscription Agreement and giving our advice to the Independent Board Committee, we have taken into account the following factors and reasons:

(a) Reasons for and benefit of the Redemption and Subscription Agreement

(i) Possible redemption of the Existing Convertible Notes

Diagram 1 below depicts the closing prices and the trading volume of the Shares for the three-month period up to and including 16th September, 2002, being the date of the Redemption and Subscription Agreement.



However, as shown in Diagram 1, Shares have been traded below HK\$1.06 and HK\$1.68 in the three-month period up to and including 16th September, 2002, being the date of the Redemption and Subscription Agreement. It can be seen from Diagram 1 that the prevailing conversion prices of HK\$1.06 and HK\$1.68 per Share under the Existing Convertible Notes represent very substantial premiums over the current market price level of the Shares. Details of such premiums are tabulated below.

Date/period	Share price	Premium of prevailing conversion price of HK\$1.06 under the 2002 Convertible Notes over the relevant Share prices	Premium of prevailing conversion price of HK\$1.68 under the 2003 Convertible Notes over the relevant Share prices
As at 16th September, 2002	HK\$0.230	360.87%	630.43%
Ten-day average up to and including 16th September, 2002	HK\$0.262	304.58%	541.22%
One-month average up to and including 16th September, 2002	HK\$0.253	318.97%	564.03%
Two-month average up to and including 16th September, 2002	HK\$0.292	263.01%	475.34%
Three-month average up to and including 16th September, 2002	HK\$0.324	227.16%	418.52%
Six-month average up to and including 16th September, 2002	HK\$0.366	189.62%	359.02%
One-year average up to and including 16th September, 2002	HK\$0.379	179.68%	343.27%

Given such large premiums over the current market price level of the Shares, we consider not likely that the holders of the Existing Convertible Notes will exercise the conversion rights attaching to the Existing Convertible Notes at the prevailing conversion prices. As such, should the Shares be continually traded substantially below the prevailing conversion prices until their respective maturity dates, it is likely that pursuant to the terms of the Existing Convertible Notes, the Company will have to redeem the 2002 Convertible Notes by paying HK\$120 million on 5th October, 2002 (or the next following business day if it is not a

business day) and redeem the 2003 Convertible Notes by paying HK\$460 million on 1st March, 2003 (or the next following business day if it is not a business day).

The arrangement under the Redemption and Subscription Agreement enables the Group to refinance HK\$50 million of the 2002 Convertible Notes and HK\$200 million of the 2003 Convertible Notes through the issue of the New Convertible Notes with a term of three years with a lower conversion price of HK\$0.30 per Share.

(ii) Indebtedness of the Group

As at 31st March, 2002, the Group's total borrowings amounted to approximately HK\$604.1 million, comprising Existing Convertible Notes of approximately HK\$577.7 million (net of unamortised deferred expenditure of approximately HK\$2.3 million), bank overdrafts of approximately HK\$9.1 million and other loan of approximately HK\$17.3 million. It appears that a substantial part of the Group's indebtedness was attributable to the Existing Convertible Notes, and is considered to be crucial to the Group's operations. The Directors advised us that the Group would be required to seek external financing for the redemption of the Existing Convertible Notes when they mature, which are expected to be on 5th October, 2002 and 1st March, 2003 (or the next following business day if the relevant maturity date is not a business day). The Directors further advised that pursuant to the terms of the Existing Convertible Notes and the New Convertible Notes, save for lower conversion price, the principal terms of the New Convertible Notes are substantially the same as those of the Existing Convertible Notes. As such, we consider that the arrangement as stipulated under the Redemption and Subscription Agreement is effectively refinancing the respective Existing Convertible Notes through extending the repayment period and adjusting the conversion prices of the Existing Convertible Notes. Please refer to the paragraph headed "Principal terms of the New Convertible Notes" in this letter for our discussion about the major terms of the New Convertible Notes.

(b) Alternative way of refinancing

As stated in the annual report of the Company for the year ended 31st March, 2002, the Group recorded bank deposits of approximately HK\$82.2 million and bank balances and cash of approximately HK\$3.8 million as at 31st March, 2002. Having considered that such working capital is required for the Group's daily operation, the Directors have considered other financing alternatives for the redemption of the Existing Convertible Notes, such as bank borrowing and placing of new Shares or rights issue. As advised by the Directors, although the Group has considered bank borrowing as possible alternative to the refinancing of the Existing Convertible Notes, based on their past experience, the Group is likely to encounter difficulties in obtaining banking facilities of HK\$580 million with better terms than those of the Existing Convertible Notes.

Table 1: Trading performance of the Shares in different periods ended 16th September, 2002

Periods ended 16th September, 2002	Total volume traded (Shares)	Total turnover traded (HK\$ million)	Total turnover over HK\$250 million, being the principal amount of the New Convertible Notes to be subscribed by Galaxyway	Total turnover over HK\$580 million, being the principal amount of the New Convertible Notes to be subscribed by Galaxyway and other investors
Ten-day	1,008,000	0.27	0.11%	0.05%
One-month	3,774,700	0.95	0.38%	0.16%
Two-month	7,412,368	2.20	0.88%	0.38%
Three-month	7,523,621	2.24	0.90%	0.39%
Six-month	11,296,201	3.78	1.51%	0.65%
One-year	22,411,502	8.11	3.24%	1.40%

The Directors have also considered alternative ways of refinancing through the equity market such as placing of new Shares and rights issue. The Directors are of the opinion that, given the thin trading of the Shares as illustrated in Table 1 above, a placing of new Shares or rights issue would require a subscription price set at a substantial discount to the prevailing market price of the Shares and, in the case of a placing of new Shares, would result in the immediate dilution effect to the existing Shareholders.

In light of the above, we concur with the Directors' view that the entering into of the Redemption and Subscription Agreement might be at present the best option available to the Company to refinance the Existing Convertible Notes, thus reducing the Group's burden of satisfying the repayment obligation.

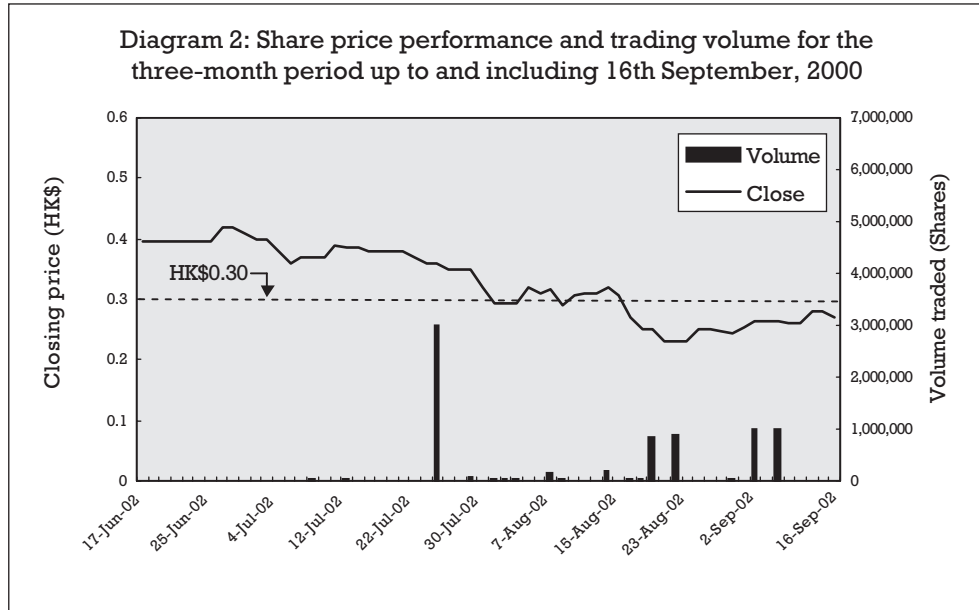
(c) Principal terms of the New Convertible Notes*(i) Conversion Price*

The premiums of the conversion price over the closing prices of the Share for different periods are set out in the following table.

Table 2: Comparison of conversion price of the New Convertible Notes with the Share prices

Date/period	Closing price/ average closing price per Share for the period	Premium/ (discount) of the conversion price of HK\$0.30 over the relevant Share prices
As at 16th September, 2002	HK\$0.230	30.43%
Ten-day period up to and including 16th September, 2002	HK\$0.262	14.50%
One-month period up to and including 16th September, 2002	HK\$0.253	18.58%
Two-month period up to and including 16th September, 2002	HK\$0.292	2.74%
Three-month period up to and including 16th September, 2002	HK\$0.324	(7.41%)

Diagram 2 below depicts the closing prices and the trading volume of the Shares for the three-month period up to and including 16th September, 2002, being the date of the Redemption and Subscription Agreement.



As illustrated in Table 2 and Diagram 2 above, the conversion price of HK\$0.30 for the New Convertible Notes represents different degrees of premium/discount to the periods as shown in Table 2, ranging from a premium of approximately 30.43% to a discount of approximately 7.41%.

Given that (save for the conversion price) the principal terms of the Existing Convertible Notes are substantially the same as those of the New Convertible Notes, we have looked into the correlation between the Share prices and the conversion prices of the Existing Convertible Notes at the times the subscriptions were announced to assess the reasonableness of the pricing of the New Convertible Notes.

Date/period	2002 Convertible Notes Premium/(discount) of the initial conversion price of HK\$1.10 over the relevant Share price	2003 Convertible Notes Premium/(discount) of the initial conversion price of HK\$1.75 over the relevant Share price
As at 27th August, 1999 <i>(Note 1)</i> / 21st January, 2000 <i>(Note 2)</i>	0.92%	19.05%
Ten-day period up to and including 27th August, 1999 <i>(Note 1)</i> / 21st January, 2000 <i>(Note 2)</i>	5.97%	13.49%
One-month period up to and including 27th August, 1999 <i>(Note 1)</i> / 21st January, 2000 <i>(Note 2)</i>	1.20%	4.70%
Two-month period up to and including 27th August, 1999 <i>(Note 1)</i> / 21st January, 2000 <i>(Note 2)</i>	(7.58%)	10.65%
Three-month period up to and including 27th August, 1999 <i>(Note 1)</i> / 21st January, 2000 <i>(Note 2)</i>	(7.56%)	6.55%

Notes:

1. Date of agreement relating to the subscription for the 2002 Convertible Notes.
2. Date of agreement relating to the subscription for the 2003 Convertible Notes.

As it can be seen above, the conversion prices of the Existing Convertible Notes represented at different times various premiums or discounts as compared with the then Share prices, ranging from a premium of approximately 19.05% to a discount of approximately 7.58% during the three-month period under review, which are generally in line with those of the New Convertible Notes. As such, we consider that the conversion price as stipulated under the New Convertible Notes is fair and reasonable so far as the Independent Shareholders are concerned.

(ii) Interest rate

As stated in the annual report of the Group for the year ended 31st March, 2002, the total borrowings of the Group as at 31st March, 2002 and the finance cost for the year ended 31st March, 2002 were approximately HK\$604.1 million and HK\$49.4 million respectively, which translate into an average borrowing cost of approximately 8.2%. The total borrowings of the Group as at 31st March, 2002

comprised the Existing Convertible Notes of approximately HK\$577.7 million (net of unamortised deferred expenditure of approximately HK\$2.3 million), bank overdrafts of approximately HK\$9.1 million and other loan of approximately HK\$17.3 million. As advised by the Directors, the Group's average cost of borrowing (excluding the Existing Convertible Notes) was approximately 6.9% based on the Group's latest audited consolidated financial statements as at 31st March, 2002. Hence, we consider that the interest rate of the New Convertible Notes (that is, the Prime Rate being 5.125% as at the Latest Practicable Date), which is lower than the average borrowing costs (for both of those including and excluding the Existing Convertible Notes as mentioned above) of the Group, is acceptable.

(d) Effect on the financial position of the Group

(i) Cashflow and interest expenses

Based on the audited consolidated financial statements of the Group for the year ended 31st March, 2002, the audited consolidated net asset value of the Group was approximately HK\$1,489.4 million and the loss for the year was approximately HK\$289.3 million. As at 31st March, 2002, the Group's audited current assets were approximately HK\$287.8 million of which approximately HK\$86.0 million was bank deposits and bank balances and cash, whereas the Group's audited non-current assets were approximately HK\$1,827.8 million of which HK\$1,797.1 million was its interests in associates.

Pursuant to the terms of the Existing Convertible Notes, the Group will be obliged to redeem the 2002 Convertible Notes by paying HK\$120 million on 5th October, 2002 (or the next following business day if it is not a business day) and redeem the 2003 Convertible Notes by paying HK\$460 million on 1st March, 2003 (or the next following business day if it is not a business day). Although the entering into of the Redemption and Subscription Agreement by the Company will result in the Company incurring an annual interest expense of approximately HK\$12.8 million (based on the current Prime Rate being 5.125%) during the term of the New Convertible Notes to be subscribed by Galaxyway, representing approximately 0.86% of the Group's audited consolidated net asset value as at 31st March, 2002, it enables the Group to reduce the burden on cashflow and remove the uncertainties over its financial position that would occur on repayment of the Existing Convertible Notes on the maturity dates, (that is, 5th October, 2002 and 1st March, 2003 (or the next following business day if the relevant maturity date is not a business day)) which are soon coming.

(ii) *Net asset value*

Set out below are the adjusted consolidated net asset values of the Group before and after the full conversion of the New Convertible Notes.

Table 3: Effects of the Existing Convertible Notes and the New Convertible Notes on the adjusted consolidated net asset value of the Group

	As at 31st March, 2002	Upon full conversion of the Existing Convertible Notes	Upon full conversion of the New Convertible Notes of HK\$250 million by Galaxyway and before any conversion of the New Convertible Notes of HK\$330 million	Upon full conversion of the New Convertible Notes of HK\$580 million
Adjusted consolidated net asset value of the Group attributable to Shareholders (HK\$ million)	1,388.7	1,968.7	1,638.7	1,968.7
Number of Shares then in issue (assuming no conversion of the Company's issued Preference Shares)	630,960,774	1,017,977,844	1,464,294,107	2,564,294,107
Adjusted consolidated net asset value per Share (HK\$)	2.20	1.93	1.12	0.77

As at 31st March, 2002, the Group had an adjusted consolidated net asset value (less the paid up capital of the Preference Shares of HK\$26,798,000 and cumulative dividends on the Preference Shares of HK\$73,962,480) attributable to Shareholders of approximately HK\$1,388.7 million. Based on such value and 630,960,774 Shares in issue, the adjusted consolidated net asset value per Share

is approximately HK\$2.20. As can be seen from the above table, the consolidated net asset value (“NAV”) per Share upon full conversion of the Existing Convertible Notes will be reduced from approximately HK\$2.20 to HK\$1.93. Upon full conversion of the New Convertible Notes amounting to HK\$250 million in face value (assuming no conversion of the remaining New Convertible Notes of HK\$330 million), the NAV per Share will be approximately HK\$1.12. Whereas, upon full conversion of the New Convertible Notes amounting to HK\$580 million, the NAV per Share will be approximately HK\$0.77. Although there is a dilution in the adjusted consolidated net asset value per Share, Independent Shareholders should note that they would face a deeper level of dilution if a placing of securities commensurate with the size of the New Convertible Notes is conducted, as the subscription price of which would usually be set at a substantial discount to the prevailing market price of the Shares, while the conversion prices of the New Convertible Notes represent various premiums thereof.

Based on the foregoing, together with (i) the fact that there may not be any immediate effect on the consolidated net asset value per Share as the Shares are presently traded at a significant discount to the conversion price under the New Convertible Notes; and (ii) the fact that the entering into the Redemption and Subscription Agreement will enable the Group to refinance repayment obligations of HK\$250 million out of HK\$580 million, we consider that the dilution in the Group’s consolidated net asset value per Share upon exercise of the New Convertible Notes is acceptable.

(e) Dilution effect on the interests of Independent Shareholders

As at the Latest Practicable Date, Galaxyway was beneficially interested in 219,681,911 Shares, representing approximately 34.8% of the total issued ordinary share capital of the Company. Galaxyway is indirectly wholly-owned by Dr. Chan Kwok Keung, Charles, the chairman and a Director.

The following table sets out the number of Shares to be issued upon full conversion of the New Convertible Notes during the conversion period, and the relevant percentage of issued Shares that they will represent assuming that no conversion of any Preference Shares takes place.

			(Scenario 1)		(Scenario 2)	
	Number of Shares as at the Latest Practicable Date	Percentage of total issued Shares	Number of Shares to be issued upon full conversion of the New Convertible Notes to Galaxyway	Percentage of total issued Shares	Number of Shares to be issued upon full conversion of the New Convertible Notes to Galaxyway and Other Existing Noteholders	Percentage of total issued Shares
Galaxyway	219,681,911	34.8	1,053,015,244	71.9	1,053,015,244	41.1
Independent Shareholders	411,278,863	65.2	411,278,863	28.1	411,278,863	16.0
Other Shareholders	-	-	-	-	1,100,000,000	42.9
Total	630,960,774	100.0	1,464,294,107	100.0	2,564,294,107	100.0

As it can be seen in the above table, the shareholding interests of the Independent Shareholders will be reduced from approximately 65.2% to (i) approximately 28.1% in the case of scenario 1 above; and (ii) approximately 16.0% in the case of scenario 2 above.

As the New Convertible Notes may not be converted given that the conversion price is significantly higher than the Share price as at the Latest Practicable Date, the Directors believe that there is no immediate dilution effect on the shareholding interests of the Independent Shareholders as the New Convertible Notes may not be converted into the Shares in the short term. Nevertheless, Independent Shareholders are reminded that (i) the conversion price of the New Convertible Notes, despite lower than those of the Existing Convertible Notes, still represents various degrees of premium to the closing prices of the Shares in the two-month period prior to the date of the Redemption and Subscription Agreement; and (ii) the conversion price of the New Convertible Notes represents a premium of approximately 30.43% over the average closing price of HK\$0.23 per Share during the period from the date of the Redemption and Subscription Agreement to the Latest Practicable Date. It is also noted that should the change of the equity interest of Galaxyway, together with parties acting in concert with it, following

the exercise of any conversion rights attaching to the New Convertible Notes trigger a general offer for the Shares under Rule 26 of the Hong Kong Code on Takeovers and Mergers (the “Takeovers Code”), Galaxyway and parties acting in concert with it are expected to comply with the requirements under the Takeovers Code from time to time.

Having considered (i) that there is no immediate dilution effect on the shareholding interests of the Independent Shareholders; (ii) that the conversion price of the New Convertible Notes represents various degrees of premium to the Share prices in the two-month period prior to the date of the Redemption and Subscription Agreement; (iii) the opportunity to refinance the Group’s repayment obligations under the Existing Convertible Notes, thus reducing the burden on cashflow that might otherwise occur; and (iv) that a substantial discount of subscription price to the prevailing market Share price would be required if placing of Shares or rights issue is sought instead of issuance of New Convertible Notes, we consider that the dilution effect on the shareholding of the Independent Shareholders, based on the assumption that the conversion rights attaching to the New Convertible Notes are exercised in full during the conversion period, is acceptable.

RECOMMENDATION

Having taken into account the above factors and reasons, we consider that the terms of the Redemption and Subscription Agreement are fair and reasonable as far as the interests of the Independent Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote at the Special General Meeting in favour of the ordinary resolution no. 2 being proposed to approve it.

Yours faithfully,

For and on behalf of

Dao Heng Securities Limited

Stella Fung

*Executive Director and
General Manager*

Venus Choi

Director

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. EXPERT AND CONSENT

- (a) The following are the qualifications of the expert who has given an opinion or advice contained in this circular.

Name	Qualifications
Dao Heng Securities	an investment adviser and dealer registered under the Securities Ordinance (Chapter 333 of the Laws of Hong Kong)

- (b) As at the Latest Practicable Date, Dao Heng Securities did not have any shareholding in any member of the Group nor any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of any member of the Group.
- (c) Dao Heng Securities has given and has not withdrawn its written consent to the issue of this circular with the inclusion of the letter to the Independent Board Committee and references to its name in the form and context in which they appear.

3. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the interests of the Directors in the equity or debt securities of the Company (including the Preference Shares) and its associated corporations (within the meaning of the SDI Ordinance) which have been notified to the Company and the Stock Exchange pursuant to section 28 of the SDI Ordinance (including interests which they are taken or deemed to have under section 31 of, or part 1 of the schedule to, the SDI Ordinance) or which are required, pursuant to section 29 of the SDI Ordinance, to be entered in the register referred to therein or which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

(a) *Interest in the Company*

Name of Director	Nature of interest	Number of Shares held	Amount of 2002 Convertible Notes held	Amount of 2003 Convertible Notes held
Chan Kwok Keung, Charles	Corporate interest	219,681,911 (note)	HK\$50,000,000 (note)	HK\$200,000,000 (note)

Note: Dr. Chan Kwok Keung, Charles was deemed to have a corporate interest in 219,681,911 Shares, in the 2002 Convertible Notes with a principal amount of HK\$50,000,000 and in the 2003 Convertible Notes with a principal amount of HK\$200,000,000 by virtue of his indirect shareholding in Galaxyway, which owned these Shares and convertible notes.

(b) *Interest in Paul Y. - ITC Construction Holdings Limited ("Paul Y. - ITC")*

Name of Director	Nature of interest	Number of shares of Paul Y. - ITC held	Amount of warrants of Paul Y. - ITC held	Number of share options of Paul Y. - ITC held
Chan Kwok Keung, Charles	Corporate interest	441,579,452 (note)	HK\$34,586,324.80 (note)	–
Lau Ko Yuen, Tom	Personal interest	–	–	5,000,000
Chau Mei Wah, Rosanna	Personal interest	–	–	6,100,000
Chan Fut Yan	Personal interest	–	–	5,000,000
Cheung Hon Kit	Personal interest	400	HK\$32	–

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

(c) *Interest in Hanny Holdings Limited (“Hanny”)*

Name of Director	Nature of interest	Number of shares of Hanny held	Number of share options of Hanny held
Chan Kwok Keung, Charles	Corporate interest	1,811,952,504 (note)	–
	Personal interest	–	160,000,000
Chan Kwok Hung	Personal interest	–	70,000,000
Cheung Kwok Wah, Ken	Personal interest	–	30,000,000

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

(d) *Interest in Burcon NutraScience Corporation (“Burcon”)*

Name of Director	Nature of interest	Number of common shares of Burcon held	Number of warrants of Burcon held	Number of share options of Burcon held
Chan Kwok Keung, Charles	Corporate interest	3,860,000 (note)	460,000 (note)	–
Chau Mei Wah, Rosanna	Personal interest	280,000	–	40,000

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

(e) *Interest in Star East Holdings Limited (“Star East”)*

Name of Director	Nature of interest	Number of shares of Star East held	Number of share options of Star East held
Chan Kwok Keung, Charles	Corporate interest	635,082,479 (note)	–
Lau Ko Yuen, Tom	Personal interest	382,000	–
Chau Mei Wah, Rosanna	Personal interest	–	19,400,000
Wong Kun To	Personal interest	–	22,400,000

Note: The shares were held by a wholly-owned subsidiary of the Company. By virtue of his deemed interest in the ordinary 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, Burcon and Star East are associated corporations, within the meaning of the SDI Ordinance, of the Company.

Save as disclosed herein, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests in the equity or debt securities of the Company (including the Preference Shares) or any of its associated corporations which are required to be notified to the Company and the Stock Exchange pursuant to section 28 of the SDI Ordinance or to the Model Code (including interests which they are taken or deemed to have under section 31 of, or part 1 of the schedule to, the SDI Ordinance) or which are required, pursuant to section 29 of the SDI Ordinance, to be entered in the register referred to therein.

None of the Directors has any interest, direct or indirect, in any assets which have since 31st March, 2002 (being the date to which the latest published audited accounts of the Company were made up) been acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group.

Save as disclosed herein, none of the Directors is materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which is significant to the business of the Group.

4. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, according to the register of substantial shareholders kept by the Company pursuant to section 16(1) of the SDI Ordinance, the shareholders of the Company who were directly or indirectly interested or taken or deemed to be directly or indirectly interested in 10% or more of the voting power in all circumstances at general meetings of the Company were as follows:

Name of Shareholder	Number of Shares held		Percentage
	Direct interest	Deemed interest	of issued Shares
			%
Chan Kwok Keung, Charles (<i>note</i>)	–	219,681,911	34.8
Chinaview International Limited (<i>note</i>)	–	219,681,911	34.8
Galaxyway	219,681,911	–	34.8

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 219,681,911 Shares held by Galaxyway.

Save as disclosed above, the Directors are not aware of any other person who, as at the Latest Practicable Date, was directly or indirectly interested in 10% or more of the voting power in all circumstances at general meetings of the Company.

5. SERVICE CONTRACTS

None of the Directors has entered into any service contracts with any member of the Group which is not terminable by the Group within one year without any payment of compensation (other than statutory compensation).

6. LITIGATION

The Group is currently involved in the following 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, a former wholly-owned subsidiary of the Company, 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” for approximately HK\$308,207,000. The Company is a principal creditor of Hoi Sing and the liquidators of Hoi Sing have admitted a substantial portion of the Company’s claim as at 31st March, 2002. The balance is being adjudicated by the liquidators of Hoi Sing.

7. MATERIAL CHANGES

The Directors are not aware of any material adverse changes in the financial or trading position of the Group since 31st March, 2002, the date to which the latest published audited accounts of the Company were made up.

8. GENERAL

- a. The secretary of the Company is Law Hon Wa, William, *AHKSA, FCCA*.
- b. The registered office of the Company is at Clarendon House, Church Street, Hamilton HM 11, Bermuda and the principal place of business in Hong Kong of the Company is at 33rd Floor, Paul Y. Centre, 51 Hung To Road, Kwun Tong, Kowloon, Hong Kong.
- c. The transfer office and branch share registrar of the Company are Butterfield Fund Services (Bermuda) Limited of Rosebank Centre, 11 Bermudiana Road, Pembroke, Bermuda and Secretaries Limited of 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong, respectively.
- d. The English text of this circular shall prevail over the Chinese text.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the office of Richards Butler at 20th Floor, Alexandra House, 16-20 Chater Road, Hong Kong from 25th September, 2002 to 9th October, 2002 (both dates inclusive):

- a. Redemption and Subscription Agreement;
- b. Placing Agreement;
- c. the letter from the Independent Board Committee, the text of which is set out on page 15 of this circular;
- d. the letter from Dao Heng Securities, the text of which is set out on pages 16 to 30 of this circular;
- e. the memorandum of association and bye-laws of the Company;
- f. terms and conditions of the Existing Convertible Notes; and
- g. draft terms and conditions of the New Convertible Notes.

NOTICE OF THE SPECIAL GENERAL MEETING



ITC CORPORATION LIMITED

(Incorporated in Bermuda with limited liability)

NOTICE IS HEREBY GIVEN that a special general meeting of ITC Corporation Limited (the "Company") will be held at 11th Floor, Paul Y. Centre, 51 Hung To Road, Kwun Tong, Kowloon, Hong Kong on Wednesday, 9th October, 2002 at 11:00 a.m. for the purpose of considering and, if though fit, passing the following resolutions:

ORDINARY RESOLUTIONS

1. **"THAT** the authorised share capital of the Company be and is hereby increased from HK\$228,000,000 comprising 2,000,000,000 ordinary shares of HK\$0.10 each and 280,000,000 preference shares of HK\$0.10 each to HK\$328,000,000 by the creation of an additional 1,000,000,000 ordinary shares of HK\$0.10 each ranking pari passu in all respects with the existing ordinary shares of HK\$0.10 each in the share capital of the Company."
2. **"THAT** the conditional redemption and subscription agreement (the "Agreement") dated 16th September, 2002 and entered into between the Company as issuer and Galaxyway Investments Limited as subscriber (the "Subscriber") relating to the redemption of the convertible notes issued by the Company of an aggregate amount of HK\$250,000,000 and the issue by the Company of the convertible notes of an amount of up to HK\$250,000,000 (the "New Convertible Notes"), a copy of which has been produced to the meeting marked "A" and signed for the purpose of identification by the chairman of the meeting, be and is hereby approved and that the transactions contemplated therein be and are hereby approved and that the directors of the Company be and are hereby authorised to do or authorise such acts and execute or authorise execution of such documents as they may consider necessary or desirable so as to give effect to the terms of the Agreement and, subject to the satisfaction of the conditions of the Agreement, the directors of the Company be and are hereby authorised to create and issue to the Subscriber or to such other person as may be specified by the Subscriber the New Convertible Notes in accordance with the terms of the Agreement and to the holders of the New Convertible Notes the ordinary shares in the Company to be issued pursuant to the exercise of the conversion rights attaching to the New Convertible Notes in accordance with the terms attaching to the New Convertible Notes."
3. **"THAT** the conditional placing agreement (the "Placing Agreement") dated 20th September, 2002 and entered into between the Company as issuer and BNP Paribas Peregrine Securities Limited as placing agent (the "Agent") relating to the issue by the Company of the convertible notes of an aggregate amount of up to HK\$330,000,000 (the "New Convertible Notes"), a copy of which has been

NOTICE OF THE SPECIAL GENERAL MEETING

produced to the meeting marked “B” and signed for the purpose of identification by the chairman of the meeting, be and is hereby approved and that the transactions contemplated therein be and are hereby approved and that the directors of the Company be and are hereby authorised to do or authorise such acts and execute or authorise execution of such documents as they may consider necessary or desirable so as to give effect to the terms of the Placing Agreement and, subject to the satisfaction of the conditions of the Placing Agreement, the directors of the Company be and are hereby authorised to create and issue to the Agent or to such other person as may be specified by the Agent the New Convertible Notes in accordance with the terms of the Placing Agreement and to the holders of the New Convertible Notes the ordinary shares in the Company to be issued pursuant to the exercise of the conversion rights attaching to the New Convertible Notes in accordance with the terms attaching to the New Convertible Notes.”

By Order of the Board
Law Hon Wa, William
Company Secretary

Hong Kong, 23rd September, 2002

Principal Place of Business in Hong Kong:

33rd Floor, Paul Y. Centre
51 Hung To Road
Kwun Tong
Kowloon
Hong Kong

Notes:

1. A member of the Company entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxies to attend and vote in his stead. A member may appoint a proxy in respect of part only of his holding of ordinary shares in the Company. A proxy need not be a member of the Company.
2. A form of proxy is enclosed. In order to be valid, a form of proxy together with a power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority, must be deposited at the Company’s principal place of business in Hong Kong at 33rd Floor, Paul Y. Centre, 51 Hung To Road, Kwun Tong, Kowloon, Hong Kong not less than 48 hours before the time appointed for holding the meeting.