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ITC CORPORATION LIMITED

(Incorporated in Bermuda with limited liability)



PAUL Y. - ITC CONSTRUCTION HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Withdrawal of proposal to reorganise Paul Y. - ITC Construction Holdings Limited

Potential major and connected transaction for ITC Corporation Limited

**Offers by Anglo Chinese Corporate Finance, Limited
on behalf of Hollyfield Group Limited, an indirect wholly owned subsidiary
of ITC Corporation Limited, or failing it Dr. Charles Chan,
to acquire all the issued shares in, and warrants of,
Paul Y. - ITC Construction Holdings Limited,
other than the shares and warrants presently owned by
ITC Corporation Limited or its wholly owned subsidiaries**

The respective boards of directors of ITC Corporation Limited and Paul Y. - ITC Construction Holdings Limited announce that, conditional upon the approval of the independent shareholders of ITC Corporation and the board of directors of Paul Y. - ITC Construction agreeing to take no further steps to implement the group reorganisation announced on 7th October, 2002, Hollyfield Group Limited, an indirect wholly owned subsidiary of ITC Corporation, through Anglo Chinese Corporate Finance, Limited, will make a voluntary conditional cash offer of the price of HK\$0.30 for each share in Paul Y. - ITC Construction, other than the shares owned by ITC Corporation or its wholly owned subsidiaries. Conditional upon the share offer becoming unconditional, an offer will also be made for the outstanding warrants of Paul Y. - ITC Construction of the price of HK\$0.01 per warrant in cash. If the independent shareholders of ITC Corporation do not give the necessary approval, then Dr. Charles Chan, the chairman of ITC Corporation and Paul Y. - ITC Construction and the controlling shareholder of ITC Corporation holding approximately 34.82% of the issued ordinary share capital, will make the offer instead of Hollyfield.

Subject to the fulfillment of the preconditions of the share offer, ITC Corporation has also informed Paul Y. - ITC Construction that it will stand in the market to acquire such number of shares in Paul Y. - ITC Construction necessary to increase its shareholding in Paul Y. - ITC Construction to over 50% of its issued share capital, provided such acquisitions are made at prices of no more than HK\$0.30 per share in Paul Y. - ITC Construction. Presently, ITC

Corporation through Hollyfield holds approximately 42.59% of the issued share capital of Paul Y. - ITC Construction and 42.19% of its outstanding warrants. If the offer is made by Dr. Charles Chan, then he will similarly offer in the market to purchase shares on the same basis as ITC Corporation. Dr. Charles Chan directly holds no shares in or warrants of Paul Y. - ITC Construction.

In light of the offers and provided ITC Corporation receives the consent required under note 2 of rule 8.2 of the Takeovers Code from the Takeovers Executive, Paul Y. - ITC Construction has informed both ITC Corporation and Dr. Charles Chan that Paul Y. - ITC Construction will take no further steps to implement the group reorganisation previously announced on 7th October, 2002. Under this reorganisation, Paul Y. - ITC Construction proposed to distribute to its shareholders its non-construction related assets and thereafter such assets were proposed to be sold to Dr. Charles Chan.

The acquisition of a majority interest in Paul Y. - ITC Construction which will occur if the share offer becomes unconditional, may constitute a major transaction for ITC Corporation and, accordingly, the making of the offers is conditional upon the approval of ITC Corporation's independent shareholders. Since Dr. Charles Chan is a substantial shareholder of ITC Corporation, in view of the undertakings given to ITC Corporation by him, among others, to make the offers in the event ITC Corporation fails to obtain the approval of its independent shareholders to permit it to make the offers itself, through Hollyfield, the offers will constitute a connected transaction for ITC Corporation under the Listing Rules. Accordingly, it is subject to the approval of the independent shareholders of ITC Corporation. An independent financial adviser will be appointed to advise the independent board committee of ITC Corporation. Dr. Charles Chan and his associates as defined under the Listing Rules will abstain from voting at the special general meeting to approve the offers. A circular containing, among other things, details of the transaction will be despatched to the shareholders of ITC Corporation as soon as possible.

A composite document containing both the offers and the response of the board of Paul Y. - ITC Construction to the offers will be despatched within seven days of the date on which the independent shareholders of ITC Corporation approve the major and connected transaction which may occur as a result of the share offer. In this regard, only those directors who are independent of ITC Corporation will give advice to shareholders in connection with the offers. An independent financial adviser will be appointed to advise the independent directors of Paul Y. - ITC Construction.

ITC Corporation has agreed to reimburse all expenditures incurred by Paul Y. - ITC Construction in connection with the offers, if the preconditions to which they are subject are not fulfilled, other than the costs incurred by Paul Y. - ITC Construction in connection with the group reorganisation.

Dr. Charles Chan has agreed to reimburse ITC Corporation any expenditures incurred in connection with the offers, if the preconditions to which they are subject are not fulfilled, and to pay all the costs incurred in relation to the group reorganisation including all costs incurred by ITC Corporation (other than the cost incurred by it in relation to the exercise of the cash option as stated in the joint announcement made by ITC Corporation and Paul Y. - ITC Construction dated 7th October, 2002) and Paul Y. - ITC Construction.

At the request of the directors of ITC Corporation and Paul Y. - ITC Construction, trading in the securities of both companies on the Stock Exchange were suspended with effect from 9:30 a.m. on 23rd October, 2002 pending the release of this joint announcement. Application has been made to the Stock Exchange for a resumption of trading in such securities with effect from 9:30 a.m. on 28th October, 2002.

OFFER FOR THE SHARES IN PAUL Y. - ITC CONSTRUCTION HOLDINGS LIMITED

Subject to the fulfillment of the preconditions to the share offer detailed below, among which Paul Y. - ITC Construction will withdraw its proposed group reorganisation announced on 7th October, 2002, Anglo Chinese Corporate Finance, Limited will make on behalf of Hollyfield Group Limited, an indirect wholly owned subsidiary of ITC Corporation Limited, or if such preconditions are not fulfilled, Dr. Charles Chan will make a voluntary conditional cash offer to the shareholders of Paul Y. - ITC Construction to acquire all the outstanding shares in Paul Y. - ITC Construction, other than those shares presently owned by ITC Corporation or its wholly owned subsidiaries on the following basis:

for each share in Paul Y. - ITC ConstructionHK\$0.30 in cash

and on the terms set out in the offer document and the accompanying forms of acceptance and transfer. The shares in Paul Y. - ITC Construction to be acquired under the share offer will be acquired with the right to all future dividends and distributions declared, paid or made on or after 25th October, 2002, the date of this announcement, save for the 2002 final dividend of HK\$0.01 per share payable on 31st October, 2002, and free from all encumbrances and any other third party rights.

Seller's ad valorem stamp duty in connection with the acceptance of the offer amounting to HK\$1.00 for every HK\$1,000 or part thereof of the consideration will be payable by the accepting shareholder and will be deducted from the consideration payable on acceptance of the share offer.

Presently, ITC Corporation and its concert parties hold 441,779,130 shares in Paul Y. - ITC Construction representing approximately 42.61% of its issued share capital. Dr. Charles Chan directly holds no shares in Paul Y. - ITC Construction.

PRECONDITIONS OF THE SHARE OFFER

The making of the share offer is conditional upon the fulfillment of the following preconditions:

- Paul Y. - ITC Construction taking no further steps to implement the group reorganisation announced on 7th October, 2002 under which its non-construction related assets were proposed to be distributed to its shareholders and thereafter proposed to be acquired by Dr. Charles Chan, the chairman of both ITC Corporation and Paul Y. - ITC Construction and the controlling shareholder of ITC Corporation with an indirect shareholding representing approximately 34.82% of its issued ordinary share capital; and
- the independent shareholders of ITC Corporation passing a resolution approving the making of the offers to acquire a majority interest in Paul Y. - ITC Construction.

Under note 2 of rule 8.2 of the Takeovers Code, the Takeovers Executive's consent is required if the making of an offer is subject to a prior fulfillment of a precondition and the precondition cannot be fulfilled within twenty one days. Since it will take more than twenty one days to obtain the approval of the independent shareholders of ITC Corporation, the Takeovers Executive's consent will be required.

In light of the offers and provided ITC Corporation receives the consent required under note 2 of rule 8.2 of the Takeovers Code from the Takeovers Executive, Paul Y. - ITC Construction has informed both ITC Corporation and Dr. Charles Chan that Paul Y. - ITC Construction will take no further steps to implement the group reorganisation previously announced on 7th October, 2002. Under this reorganisation, Paul Y. - ITC Construction proposed to distribute to its shareholders its non-construction related assets and thereafter such assets were proposed to be sold to Dr. Charles Chan.

The share offer, if made, also constitutes a potential major transaction for ITC Corporation under the Listing Rules. Since Dr. Charles Chan is a substantial shareholder of ITC Corporation, in view of the undertakings given to ITC Corporation by him, among others, to make the offers in the event ITC Corporation fails to obtain the approval of its independent shareholders to permit it to make the offers itself, through Hollyfield, the acquisition will constitute a connected transaction for ITC Corporation under the Listing Rules. Accordingly, it is subject to the approval of the independent shareholders of ITC Corporation. Dr. Charles Chan and his associates as defined under the Listing Rules will abstain from voting at the special general meeting to approve the offers.

If the independent shareholders of ITC Corporation do not pass the resolutions approving the offers, the share and warrant offers will be made by Dr. Charles Chan instead.

CONDITION OF THE SHARE OFFER

The share offer is conditional upon the offeror, being initially Hollyfield or Dr. Charles Chan having received acceptances in respect of voting rights attached to shares in Paul Y. - ITC Construction which, together with any voting rights acquired or agreed to be acquired before or during the offer, will result in ITC Corporation and any person acting in concert with it holding more than 50% of the voting rights attaching to the shares in Paul Y. - ITC Construction.

OFFER FOR THE WARRANTS OF PAUL Y. - ITC CONSTRUCTION

Conditional upon the offer for the shares in Paul Y. - ITC Construction becoming unconditional, Anglo Chinese Corporate Finance will make an offer on behalf of Hollyfield, or failing it Dr. Charles Chan, for all the outstanding warrants of Paul Y. - ITC Construction, which carry a subscription price of HK\$0.40 each, other than those warrants presently owned by ITC Corporation or its wholly owned subsidiaries on the following basis:

for each warrant of Paul Y. - ITC ConstructionHK\$0.01 in cash

and on the terms set out in the offer document and the accompanying forms of acceptance and transfer. The warrants of Paul Y. - ITC Construction to be acquired under the warrant offer will be acquired free from all encumbrances and any other third party rights.

Seller's ad valorem stamp duty in connection with the acceptance of the warrant offer amounting to HK\$1.00 for every HK\$1,000 or part thereof of the consideration will be payable by the accepting warrant holders and will be deducted from the consideration payable on acceptance of the warrant offer.

As at the date of this announcement, ITC Corporation and its wholly owned subsidiaries presently own 86,465,812 warrants, representing approximately 42.19% of the outstanding warrants of Paul Y. - ITC Construction. Dr. Charles Chan directly holds no warrants of Paul Y. - ITC Construction.

VALUATION OF THE OFFERS

The consideration payable under the offers represents:

- a premium of approximately 42.9% to the closing price of HK\$0.21 per share in Paul Y. - ITC Construction and the same price as the closing price of the warrants of HK\$0.01 per warrant as quoted on the Stock Exchange on 22nd October, 2002, being the last trading day on which shares in and warrants of Paul Y. - ITC Construction were traded on the Stock Exchange prior to the suspension of trading of securities in Paul Y. - ITC Construction;
- a premium of approximately 43.0% to the weighted average closing price of approximately HK\$0.2098 per share in Paul Y. - ITC Construction and the same price as the average closing price of the warrants in Paul Y. - ITC Construction of HK\$0.01 per warrant as quoted on the Stock Exchange for the ten consecutive trading days up to and including 22nd October, 2002;

- a premium of approximately 46.4% to the weighted average closing price of approximately HK\$0.2050 per share in Paul Y. - ITC Construction and the same price as the average closing price of the warrants in Paul Y. - ITC Construction of HK\$0.01 per warrant as quoted on the Stock Exchange for the thirty trading days up to and including 22nd October, 2002; and
- a premium of approximately 26.8% to the weighted average closing price of approximately HK\$0.2366 per share in Paul Y. - ITC Construction as quoted on the Stock Exchange for the six month period up to and including 22nd October, 2002. No comparative figure is given for warrants as they have been in issue for less than six months.

The consideration payable under the share offer represents a discount of 89.6% on the net asset value per share of HK\$2.889 based on the audited accounts of Paul Y. - ITC Construction as at 31st March, 2002.

Based on the existing 1,036,744,924 shares in Paul Y. - ITC Construction in issue as at the date of this announcement and the scrip dividend of 12,357,385 shares to be issued on 31st October, 2002, the consideration per share in Paul Y. - ITC Construction payable under the share offer values the entire issued share capital of Paul Y. - ITC Construction at approximately HK\$314.7 million. Based on the outstanding 204,920,349 warrants of Paul Y. - ITC Construction, the consideration payable under the warrants offer values the outstanding warrants at approximately HK\$2.0 million.

OPTIONS

Paul Y. - ITC Construction has issued to certain of its executive directors and employees options to subscribe for up to 16,100,000 shares in Paul Y. - ITC Construction under its share option scheme at a subscription price of HK\$0.5552 per share in Paul Y. - ITC Construction. Appropriate arrangements will be made in respect of options, as required by the Takeovers Code, in the event the offers become unconditional.

FINANCING

Dr. Charles Chan has agreed to finance the offers in full by advancing the funds to ITC Corporation on an unsecured basis and on normal, or better, commercial terms, if so requested by ITC Corporation. Anglo Chinese Corporate Finance confirms that Dr. Charles Chan has sufficient resources available to him to make available funds to ITC Corporation to enable it to satisfy full acceptance of the offers.

UNDERTAKINGS BY ITC CORPORATION

ITC Corporation has undertaken to Paul Y. - ITC Construction that it will reimburse all expenditures incurred by Paul Y. - ITC Construction in connection with the offers, if the preconditions to which they are subject are not fulfilled, other than the costs incurred by Paul Y. - ITC Construction in connection with the group reorganisation.

Dr. Charles Chan has agreed to reimburse ITC Corporation any expenditures incurred in connection with the offers, if the preconditions to which they are subject are not fulfilled, and to pay all the costs incurred in implementing the group reorganisation including all costs incurred by ITC Corporation (other than the cost incurred by it in relation to the exercise of the cash option as stated in the joint announcement made by ITC Corporation and Paul Y. - ITC Construction dated 7th October, 2002) and Paul Y. - ITC Construction.

Upon the fulfillment of the preconditions to making the share offer, ITC Corporation has also undertaken to Paul Y. - ITC Construction that it will stand in the market to purchase such number of shares so as to increase its shareholding in Paul Y. - ITC Construction to over 50% of its issued share capital, provided it is not required to pay more than HK\$0.30 per share in Paul Y. - ITC Construction.

UNDERTAKINGS BY DR. CHARLES CHAN

Dr. Charles Chan has undertaken to ITC Corporation that he will

- reimburse it all expenses incurred with the offers in the event that the preconditions to which they are subject are not fulfilled;
- provide ITC Corporation with the finance to enable it to satisfy full acceptance of the offers, as referred to above; and
- make the offers in the event ITC Corporation fails to obtain the approval of its shareholders to permit it to make the offers itself, through Hollyfield.

INTENTIONS OF ITC CORPORATION REGARDING PAUL Y. - ITC CONSTRUCTION

The offers will not of themselves result in any changes in the business or the continued employment of the employees of Paul Y. - ITC Construction or any of its subsidiaries.

COMPULSORY ACQUISITION

In the event that acceptance to the share offer amounts to 90% or more of the shares which were subject to the share offer, the offeror will avail itself of the compulsory purchase provisions of section 102 of the Companies Act 1981 of Bermuda to acquire the balance of the shares in Paul Y. - ITC Construction.

MAINTENANCE OF THE LISTING OF PAUL Y. - ITC CONSTRUCTION

If on the closing date of the share offer, the offeror is unable to acquire compulsorily the balance of the shares in Paul Y. - ITC Construction under the Bermuda Companies Act, then it intends to maintain the listing of Paul Y. - ITC Construction on the Stock Exchange after closing of the share offer. Hollyfield or Dr. Charles Chan, as the case may be, will undertake to the Stock Exchange that following the closing of the share offer, appropriate steps will be taken to ensure that not less than 25% of the shares in Paul Y. - ITC Construction will be held by the public. When the share offer closes, should there be less than 25% of the shares in Paul Y. - ITC Construction in public hands, the directors of Hollyfield or Dr. Charles Chan, as the case may be, will take appropriate steps which may include, placing down its shareholding interest in Paul Y. - ITC Construction to independent third parties within one month after closing of the share offer. The Stock Exchange has stated that if, at the closing of the share offer, less than 25% of the shares in Paul Y. - ITC Construction are held by the general public or **the Stock Exchange believes that:**

- a false market exists or may exist in the shares in Paul Y. - ITC Construction; or**
- there are too few shares in Paul Y. - ITC Construction in public hands to maintain an orderly market,**

then it will consider exercising its discretion to suspend trading in Paul Y. - ITC Construction shares. In this connection, it should be noted that upon completion of the share offer, there may be an insufficient public float for the Paul Y. - ITC Construction shares and, therefore, trading in the shares in Paul Y. - ITC Construction may be suspended until a sufficient level of public float is attained.

The Stock Exchange has also stated they will also closely monitor all future acquisitions or disposals of assets by Paul Y. - ITC Construction. The Stock Exchange has indicated that it has the discretion to require Paul Y. - ITC Construction to issue a circular to shareholders of Paul Y. - ITC Construction irrespective of the size of any proposed transactions, particularly when such proposed transactions represent a departure from the principal activities of Paul Y. - ITC Construction. The Stock Exchange also has the power to aggregate a series of transactions of Paul Y. - ITC Construction and any such transactions may result in Paul Y. - ITC Construction being treated as if it were a new listing applicant.

THE WITHDRAWAL OF THE PROPOSED GROUP REORGANISATION

The respective board of directors of ITC Corporation and Paul Y. - ITC Construction consider that the share offer provides a more certain prospect to shareholders of Paul Y. - ITC Construction to realise all or a portion of their investment in Paul Y. - ITC Construction than the group reorganisation and that the terms of the share offer are more attractive than the terms of the group reorganisation. Provided the preconditions of the share offer are fulfilled, shareholders of Paul Y. - ITC Construction will be able to realise all or a portion of their investment at a substantial premium to the prevailing market price without the requirement for the support of any other shareholders of Paul Y. - ITC Construction. The compulsory acquisition of shares will only occur if the share offer receives a very high level of acceptances. It is for these reasons that they have agreed to withdrawal of the group reorganisation and its substitution by the share offer.

THE REASONS FOR THE SHARE OFFER

To the extent that ITC Corporation, through Hollyfield, is successful in acquiring shares in Paul Y. - ITC Construction either through market purchases or through acceptances to the share offer, it will increase its controlling interest in Paul Y. - ITC Construction at a substantial discount to its underlying net asset value.

ITC CORPORATION

ITC Corporation is an investment holding company which directly and indirectly holds strategic investments in a number of listed companies including, in addition to Paul Y. - ITC Construction and its strategic investments in Downer EDI Limited and China Strategic Holdings Limited, interests in Hanny Holdings Limited, Burcon NutraScience Corporation, Star East Holdings Limited, M Channel Corporation Limited, Sing Pao Media Group Limited, Ananda Wing On Travel (Holdings) Limited, China Land Group Limited, China Enterprises Limited and Australia Net.Com Limited.

PAUL Y. - ITC CONSTRUCTION

The Paul Y. - ITC Construction group's principal business includes building construction, civil engineering, specialist works, property development and investment, hotel management and operations, catering and manufacturing and trading of construction materials. Its primary business focus is in Hong Kong and the PRC. In addition to its investment in its major associated company, Downer EDI, it has strategic investment in China Strategic Holdings, installation and maintenance of escalators and elevators and provision of specialised business solution for construction industry.

The financial information of Paul Y. - ITC Construction extracted from the audited consolidated financial statements of Paul Y. - ITC Construction for the two financial years ended 31st March, 2002 is as follows:

	Year ended 31st March	
	2001 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Turnover	<u>10,803,255</u>	<u>5,343,810</u>
Profit/(loss) before taxation	(313,144)	125,243
Taxation	<u>49,953</u>	<u>47,935</u>
Profit/(loss) after taxation	(363,097)	77,308
Minority interests	<u>91,343</u>	<u>6,605</u>
Profit/(loss) attributable to shareholders	<u>(454,440)</u>	<u>70,703</u>
	<i>HK\$</i>	<i>HK\$</i>
Earnings/(loss) per share		
– basic	(0.463)	0.071
– diluted	(0.471)	0.068
Dividend per share	0.020	0.020

GENERAL

Anglo Chinese Corporate Finance has been retained to make the offers on behalf of Hollyfield.

A circular to the shareholders of ITC Corporation containing a notice convening the special general meeting of the independent shareholders to approve the major and connected transaction which will arise upon the share offer becoming unconditional will be despatched to the shareholders of ITC Corporation as soon as practicable. An independent financial adviser will be appointed to advise the independent board committee of ITC Corporation. Dr. Charles Chan and his associates as defined under the Listing Rules will abstain from voting at the special general meeting to approve the offers.

A composite document containing both the offers and the response of the board of Paul Y. - ITC Construction to the offers will be despatched within seven days of the date on which the shareholders of ITC Corporation approve the major and connected transaction which may occur as a result of the share offer. In this regard, only those directors who are independent of ITC Corporation will give advice to shareholders in connection with the offers. An independent financial adviser will be appointed to advise the independent directors of Paul Y. - ITC Construction.

At the request of the board of directors of ITC Corporation and Paul Y. - ITC Construction, trading in the listed securities of both companies on the Stock Exchange was suspended from 9:30 a.m. on 23rd October, 2002 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading on the Stock Exchange in these securities with effect from 9:30 a.m. on 28th October, 2002.

By order of the board

ITC CORPORATION LIMITED

Law Hon Wa, William

Company Secretary

By order of the board

PAUL Y. - ITC CONSTRUCTION HOLDINGS LIMITED

Mui Ching Hung, Joanna

Company Secretary

Hong Kong, 25th October, 2002

The directors of ITC Corporation jointly and severally accept full responsibility for the accuracy of the information contained in this announcement other than that relating to Paul Y. - ITC Construction and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in this announcement other than that relating to Paul Y. - ITC Construction have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.

The directors of Paul Y. - ITC Construction jointly and severally accept full responsibility for the accuracy of the information contained in this announcement other than that relating to ITC Corporation and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in this announcement other than that relating to ITC Corporation have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.

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