

*The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



## **ITC CORPORATION LIMITED**

*(Incorporated in Bermuda with limited liability)*

### **PROPOSED REDEMPTION OF CONVERTIBLE NOTES FOR AN AGGREGATE PRINCIPAL AMOUNT OF HK\$96,000,000**

On 16th January, 2004, the Company entered into the Redemption Agreements with certain Noteholders for the early redemption of a portion, amounting to, in aggregate, HK\$96,000,000, of the Convertible Notes. As at the date of this announcement, the aggregate outstanding principal amount of the Convertible Notes held by the Redeemed Noteholders is HK\$116,000,000.

The Proposed Redemption constitutes an off-market share repurchase by the Company. The Company will apply for the Executive's approval under Rule 2 of the Share Repurchase Code regarding the Proposed Redemption.

A circular containing, among other things, details of the Proposed Redemption, the recommendation from the independent committee of the Board, a letter of advice from the independent financial adviser and a notice to convene a special general meeting to approve, among other things, the Redemption Agreements, will be sent to Shareholders as required under the Codes of Takeovers and Mergers and Share Repurchases.

#### **INTRODUCTION**

On 3rd March, 2003, the Company issued to certain investors, the Convertible Notes in the aggregate principal amount of HK\$392,500,000. As at the date of this announcement, Convertible Notes in the aggregate principal amount of HK\$385,500,000 are outstanding.

The Board is pleased to announce that on 16th January, 2004, the Company entered into the Redemption Agreements with certain Noteholders for the early redemption of part of the Convertible Notes in the aggregate principal amount of HK\$96,000,000. As at the date of this announcement, the aggregate outstanding principal amount of the Convertible Notes held by the Redeemed Noteholders is HK\$116,000,000 and the balance of the Convertible Notes held by them following completion of the Proposed Redemption will be due for redemption on 3rd March, 2006 unless otherwise converted or redeemed.

#### **THE REDEMPTION AGREEMENTS**

**Date:**

16th January, 2004

**Parties:**

(1) The Company

- (2) a total of 3 Noteholders, representing 9 beneficial owners of such Convertible Notes who are Independent Third Parties. The identities of and details of dealings in securities of the Company for a period of 6 months prior to the date of this announcement by such beneficial owners as required under the Share Repurchase Code will be included in the circular to be issued by the Company later.

### **Aggregate amount proposed to be redeemed**

Under the Redemption Agreements, the Company would redeem at face value of the Convertible Notes in an aggregate principal amount of HK\$96,000,000 held by the Redeemed Noteholders together with any outstanding interest up to and including the date of redemption on the principal amount to be redeemed payable in cash.

### **Conditions**

Completion of the Redemption Agreements is subject to, inter alia:

- (a) the passing of a resolution by the Disinterested Shareholders approving the Redemption Agreements by at least three-fourths of the votes cast at a general meeting of the Company on a poll;
- (b) if required, the passing of a resolution by the holders of the Preference Shares approving the Redemption Agreements by a majority of the votes cast at a meeting of the holders of the Preference Shares on a poll; and
- (c) the approval of the Executive of the Proposed Redemption.

In the event that any of the conditions in relation to the Redemption Agreements has not been fulfilled or waived by 31st March, 2004, the Redemption Agreements will be void and be of no effect and no party shall have any further obligations and liabilities thereunder.

Subject to the fulfillment or waiver of the above conditions, completion of the Redemption Agreements is expected to take place on or before 31st March, 2004.

The Convertible Notes do not provide for any early redemption thereof and the Convertible Notes proposed to be redeemed under the Redemption Agreements would have entitled its holders to convert up to HK\$96,000,000 at the conversion price of HK\$0.30 per Share (subject to adjustments) into a total of 320,000,000 new Shares, representing approximately 48.9% and 32.8% respectively of the existing issued ordinary share capital of the Company and the issued ordinary share capital of the Company as enlarged by such issue.

The execution and completion of the Redemption Agreements will not affect the conversion rights attaching to the balance of the outstanding Convertible Notes which will continue to be valid and exercisable until the maturity date of the Convertible Notes.

### **REASONS FOR THE PROPOSED REDEMPTION**

The Company 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, interests in Hanny Holdings Limited, Downer EDI Limited, China Strategic Holdings Limited, Burcon NutraScience Corporation, Star East Holdings Limited, M Channel Corporation Limited, Wing On Travel (Holdings) Limited, Rosedale Hotel Group Limited, Dong Fang Gas Holdings Limited, China Enterprises Limited and MRI Holdings Limited. In addition to those businesses carried out through Paul Y. - ITC, the principal activities of the Company and its subsidiaries comprise the investment holding, provision of finance, and trading of building materials and machinery.

The Board also refers to the announcement of the Company made on 19th December, 2003 in relation to, inter alia, its entitlement to receive an interim dividend and a special dividend of an aggregate sum of approximately HK\$211 million by the Company from Paul Y. - ITC, a subsidiary of the Company, based on the existing shareholding interest of the Company in Paul Y. - ITC.

The Board considers that due to low prevailing interest rates which are not expected to rise substantially in the near term, the bank deposit rate is presently less than 0.1% per annum which is far below the 5% per annum payable on the Convertible Notes. The Proposed Redemption represents a good opportunity for the Company to reduce its net financing cost substantially and to improve its profit attributable to Shareholders.

The fund for redeeming the Convertible Notes under the Redemption Agreements will primarily be funded from the aforesaid dividends to be received from Paul Y. - ITC and internal resources. As compared with the financial position of the Company as at 30th September, 2003 (being the date of its latest interim accounts), the Directors consider that there will not be a material adverse impact on the working capital and the gearing position of the Company as a result of the Proposed Redemption.

The Proposed Redemption does not require consent from the creditors of the Company.

#### **GENERAL**

The Proposed Redemption constitutes an off-market share repurchase by the Company. The Company will apply for the Executive's approval under Rule 2 of the Share Repurchase Code regarding the Proposed Redemption. A special general meeting of the Company will be convened to consider and approve the Redemption Agreements. The Redeemed Noteholders and parties acting in concert with any of them will abstain from voting at the special general meeting of the Company with regard to the resolution to be proposed to approve the Redemption Agreements. A meeting of the holders of the Preference Shares will be convened to consider and approve the Proposed Redemption, if required.

An independent committee of the Board will be established to advise the Disinterested Shareholders in respect of the Redemption Agreements. An independent financial adviser will be appointed to advise the independent committee of the Board in connection with the Redemption Agreements.

A circular containing, inter alia, details of the Proposed Redemption, a letter of advice from the independent financial adviser, the recommendation from the independent committee of the Board and a notice convening the special general meeting of the Company will be despatched to the shareholders of the Company as required under the Codes of Takeovers and Mergers and Share Repurchases.

#### **DEFINITIONS**

“Board”	the board of directors of the Company
“Company”	ITC Corporation Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
“Completion”	completion of the redemption of the Convertible Notes held by the Redeemed Noteholders pursuant to the Redemption Agreements

“Convertible Notes”	the convertible notes issued by the Company with an aggregate principal amount of HK\$392,500,000 on 3rd March, 2003 and due in 2006
“Directors”	the directors of the Company
“Disinterested Shareholders”	shareholders of the Company other than the Shareholders having a material interest in the Proposed Redemption, including the Redeemed Noteholders and parties acting in concert with any of them
“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission or any delegate of the Executive Director
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Third Parties”	independent third parties who are not connected persons as defined under the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Noteholders”	the registered holders of the Convertible Notes
“Paul Y. - ITC”	Paul Y. - ITC Construction Holdings Limited, a company incorporated in Bermuda with limited liability whose shares are listed on the Stock Exchange and a non-wholly owned subsidiary of the Company
“Preference Shares”	compulsorily convertible cumulative preference shares of HK\$0.10 each in the share capital of the Company
“Proposed Redemption”	the proposed redemption of certain Convertible Notes for an aggregate principal amount of HK\$96,000,000 held by the Redeemed Noteholders
“Redeemed Noteholders”	the beneficial owners of the Convertible Notes to be redeemed under the Redemption Agreements, all of which are Independent Third Parties
“Redemption Agreements”	redemption agreements dated 16th January, 2004 entered into between the Company and certain Noteholders relating to the redemption of certain Convertible Notes as described in this announcement
“Share Repurchase Code”	The Hong Kong Code on Share Repurchases
“Shareholders”	the holders of Shares from time to time
“Shares”	ordinary shares of the nominal amount of HK\$0.10 each in the share capital of the Company

“Stock Exchange”

The Stock Exchange of Hong Kong Limited

By order of the Board  
**Law Hon Wa, William**  
*Company Secretary*

Hong Kong, 16th January, 2004

*The directors of the Company jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement 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 statements in this announcement misleading.*

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