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ITC CORPORATION LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 372)

**DISCLOSEABLE TRANSACTION –
SUBSCRIPTION OF CONVERTIBLE BOND
OF
CHINA STAR ENTERTAINMENT LIMITED**

Financial adviser to ITC Corporation Limited



SOMERLEY LIMITED

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DEFINITIONS

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

“Board”	board of Directors
“Bonds”	the zero-coupon convertible bonds due 2012 in the aggregate principal amount of HK\$168.5 million (including the Convertible Bond) proposed to be issued by China Star, which entitle the holder(s) thereof to convert the principal amount outstanding into the Conversion Shares at the then effective conversion price
“Business Day”	means any day other than a Saturday or Sunday on which banks in Hong Kong are open for business
“China Star”	China Star Entertainment Limited (stock code: 326), a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the main board of the Stock Exchange
“China Star Announcement”	the announcement of China Star dated 13 February 2007 in relation to the issuance of the Bonds by China Star
“China Star Group”	China Star and its subsidiaries
“China Star Share(s)”	fully paid ordinary share(s) of HK\$0.05 each in the share capital of China Star
“Completion”	completion of the Subscription Agreement
“connected person(s)”	have the meaning as defined in the Listing Rules
“Conversion Price”	the initial conversion price of the lower of (i) HK\$0.32 per Conversion Share; and (ii) the average closing price of China Star Share for the ten trading days prior to the date of the issue of the Convertible Bond, provided that the initial conversion price shall in no event be less than HK\$0.25 per Conversion Share (subject to adjustments pursuant to the terms of the Convertible Bond)
“Conversion Shares”	new China Star Shares which will fall to be allotted and issued by China Star upon the exercise of the conversion rights attached to the Bonds (including the Convertible Bond) at the then effective conversion price
“Convertible Bond”	the Bond with a principal amount of HK\$124.5 million to be subscribed by Improvemany pursuant to the terms of the Subscription Agreement
“Director(s)”	director(s) of the Company
“Group”	ITC and its subsidiaries
“Hanny”	Hanny Holdings Limited (stock code: 275), a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the main board of the Stock Exchange, and an indirect non-wholly owned subsidiary of ITC
“Hanny Group”	Hanny and its subsidiaries
“Hanny Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of Hanny
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Improvemany”	Improvemany International Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of Hanny

DEFINITIONS

“ITC” or “Company”	ITC Corporation Limited (stock code: 372), a company incorporated in Bermuda with limited liability and whose issued shares are listed on the main board of the Stock Exchange
“ITC Ordinary Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of ITC
“ITC Preference Share(s)”	redeemable convertible preference share(s) of HK\$0.10 each in the share capital of ITC
“Last Trading Day”	19 January 2007, being the last trading day of the China Star Shares prior to its suspension pending the release of the China Star Announcement
“Latest Practicable Date”	14 February 2007, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Macau Success”	Macau Success Limited (stock code: 487), a company incorporated in Bermuda with limited liability and whose issued shares are listed on the main board of the Stock Exchange, being the holding company of one of the subscribers of the Bonds
“Maturity Date”	the day falling 5 years from the date of issue of the Convertible Bond or, if that is not a Business Day, the first Business Day thereafter
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules
“Other Subscription Agreements”	the other two subscription agreements both dated 19 January 2007 for the subscription of the Bonds (excluding the Convertible Bond) with an aggregate principal amount of HK\$44.0 million entered into between China Star and the other two subscribers
“PRC”	the People’s Republic of China, which for the purposes of this circular, excludes Hong Kong, Macau Special Administrative Region and Taiwan
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholders”	holders of ITC Ordinary Share(s) and ITC Preference Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of the Convertible Bond by Improvemany pursuant to the terms of the Subscription Agreement
“Subscription Agreement”	the conditional subscription agreement dated 19 January 2007 entered into between Improvemany and China Star in relation to the Subscription, subject to the terms and conditions contained therein
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“%”	per cent

LETTER FROM THE BOARD



ITC CORPORATION LIMITED

(Incorporated in Bermuda with limited liability)
(Stock Code: 372)

Executive Directors:

Dr. Chan Kwok Keung, Charles (*Chairman*)
Ms. Chau Mei Wah, Rosanna
(*Deputy Chairman and Managing Director*)
Mr. Chan Kwok Chuen, Augustine
Mr. Chan Fut Yan
Mr. Cheung Hon Kit

Independent non-executive Directors:

Mr. Chuck, Winston Calptor
Mr. Lee Kit Wah
Hon. Shek Lai Him, Abraham, *J.P.*

Registered office:

Clarendon house
2 Church Street
Hamilton HM 11
Bermuda

Principal place of business in Hong Kong:

30th Floor, Bank of America Tower
12 Harcourt Road
Central
Hong Kong

16 February 2007

*To the holders of ITC Ordinary Shares and, for information only,
the holders of ITC Preference Shares*

Dear Sir or Madam,

DISCLOSEABLE TRANSACTION – SUBSCRIPTION OF CONVERTIBLE BOND OF CHINA STAR ENTERTAINMENT LIMITED

INTRODUCTION

The Company and Hanny jointly announced on 26 January 2007 that Improvemany, an indirect wholly-owned subsidiary of Hanny, had entered into the Subscription Agreement on 19 January 2007 with China Star in relation to the subscription by Improvemany of the Convertible Bond with a principal amount of HK\$124.5 million. On the same day, China Star entered into the Other Subscription Agreements with two other subscribers on terms no more favourable than those offered to Improvemany under the Subscription Agreement. The aggregate principal amount of the Bonds to be issued by China Star (including the Convertible Bond) is HK\$168.5 million. As at the Latest Practicable Date, Hanny was interested in 36,176,000 shares of Macau Success, the holding company of one of the subscribers of the Bonds, representing approximately 1.69% of the existing issued share capital of Macau Success. Save as aforesaid, to the best of the knowledge, information and belief of the Directors, and having made all reasonable enquiries, each of the other subscribers is a third party independent of ITC and its connected persons.

The Subscription constitutes a discloseable transaction for the Company under the Listing Rules. The purpose of this circular is to provide you with information on the Subscription Agreement and the Convertible Bond, and further information on the Company.

LETTER FROM THE BOARD

SUBSCRIPTION AGREEMENT

Date: 19 January 2007

Parties to the Subscription Agreement

- (a) Improvemany as the subscriber for the Convertible Bond; and
- (b) China Star as the issuer of the Convertible Bond.

To the best of the knowledge, information and belief of the Directors, and having made all reasonable enquiries, China Star is a third party independent of ITC and its connected persons and Improvemany is not acting in concert with the other subscribers of the Bonds or any shareholders of China Star in respect of China Star.

Conditions of the Subscription Agreement

Completion is conditional upon:

- (a) the passing of the necessary resolution(s) by the shareholders of China Star in general meeting approving the Subscription Agreement and all transactions contemplated therein including but not limited to the creation and the issue of the Convertible Bond, and the issuance of Conversion Shares upon exercise by the holder(s) of the Bonds thereof of the conversion rights, each in accordance with the bye-laws of China Star and the requirements of the Listing Rules;
- (b) the passing of the necessary resolution(s) by the shareholders of Hanny (if necessary) approving the Subscription Agreement and all transactions contemplated therein;
- (c) Improvemany shall have been satisfied with the results of its due diligence investigations on the China Star Group within 30 days from the date of the Subscription Agreement or such other extended time as the parties may agree;
- (d) the Listing Committee of the Stock Exchange shall have granted (either unconditionally or subject only to such conditions as China Star and Improvemany both acting reasonably do not object) the listing of, and the permission to deal in, the Conversion Shares to be allotted and issued upon conversion of the Bonds;
- (e) the issue and delivery of a legal opinion by Bermuda counsel (on matters relating to, among other things, the due incorporation and existence of China Star and the validity, legality and enforceability of the issue of the Convertible Bond and of the Subscription Agreement by China Star and such other resolutions, consents, authorities and documents relating to the issue of the Convertible Bond) in such form and substance as may reasonably be required by Improvemany;
- (f) if required, an increase in the authorised share capital of China Star to facilitate the issue of the Conversion Shares and the Bermuda Monetary Authority shall have granted its approval to the allotment and issue of the Conversion Shares;
- (g) the representations, warranties and undertakings made by China Star in the Subscription Agreement shall be true, accurate and correct in all respects at, and as if made at Completion; and
- (h) at the closing date, there shall not have occurred any change, or any development or event reasonably likely to involve a prospective change, in the financial condition, operations, business or properties of the China Star Group (including as revealed in the audited consolidated financial statements of the China Star Group for the year ended 31 December 2005) which, in the reasonable opinion of Improvemany, is material and adverse.

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If any of the above conditions precedent have not been fulfilled or waived by Improvmany (other than conditions (a), (b), (d) and (f) above) on or before the date falling 4 months from the date of the Subscription Agreement (or such later date as Improvmany and China Star may agree in writing), then the Subscription Agreement shall lapse immediately thereafter and be of no further effect and neither party to the Subscription Agreement shall have any claim against or liability or obligation to the other party under the Subscription Agreement except for any antecedent breach.

Completion is not conditional on the completion of the Other Subscription Agreements.

Completion

Subject to the fulfilment or, as the case may be, waiver of the conditions stated above, Completion shall take place on or before the date falling 4 months from the date of the Subscription Agreement (or such other date as the parties to the Subscription Agreement may agree in writing).

Termination

Improvmany may, by notice to China Star given at any time prior to payment of the net subscription monies for the Convertible Bond to China Star, terminate the Subscription Agreement in any of the following circumstances:

- a) if there shall have come to the notice of Improvmany any material breach of, or any event rendering untrue or incorrect in any respect, any of the warranties and representations contained in the Subscription Agreement, which includes, among other things, the due and valid issue of fully-paid, non-assessable and free from all encumbrances Conversion Shares which will rank *pari passu* with all other China Star Shares then outstanding, no material adverse change in the condition and financial prospect of the China Star Group since 31 December 2005; or any failure by China Star to perform any of its undertakings, indemnities or agreements in the Subscription Agreement;
- b) if there shall have occurred any change, or any development involving a prospective change, in national or international monetary, financial, political, industrial or economic conditions or currency exchange rates or foreign exchange controls or other nature which would, in Improvmany's reasonable view, prejudice materially the success of the offering or the subscription or distribution of the Convertible Bond;
- c) if there shall have occurred an outbreak or escalation of hostilities or act of terrorism which would, in Improvmany's view, prejudice materially the success of the offering or the subscription or distribution of the Convertible Bond; or
- d) if on or after the date of the Subscription Agreement there shall have occurred a suspension in trading in China Star's securities for more than 15 consecutive trading days on the Stock Exchange other than in connection with the clearance of announcements in connection with the transactions contemplated therein, which would, in Improvmany's reasonable view, prejudice materially the success of the subscription or distribution of the Convertible Bond.

In the event that Improvmany terminates the Subscription Agreement, all obligations of each of the parties under the Subscription Agreement shall cease and determine and no party shall have any claim against any other party in respect of any matter arising out of or in connection with the Subscription Agreement except for any antecedent breach.

LETTER FROM THE BOARD

THE CONVERTIBLE BOND

Principal terms

- Principal amount: HK\$124.5 million payable by Improvemany by cash upon Completion
- Subscription price: 95% of the principal amount of the Convertible Bond (i.e. approximately HK\$118.3 million)
- Conversion Price: The initial Conversion Price is the lower of (i) HK\$0.32 per Conversion Share and (ii) the average closing price of China Star Share for the ten trading days prior to the date of the issue of the Convertible Bond, provided that the initial Conversion Price shall in no event be less than HK\$0.25 per Conversion Share (subject to adjustments). The Conversion Price is subject to customary anti-dilution adjustments in events including share consolidation, share subdivision, capitalisation issue, capital distribution, rights issue and other equity or equity derivative issues.

However, no adjustments will be made to the Conversion Price when China Star Shares are issued pursuant to the exercise of the 200,602,625 share options granted under China Star's existing share option scheme as at the date of the Subscription Agreement.

The initial Conversion Price is determined after arm's length negotiations between Improvemany and China Star with reference to the prevailing market price of the China Star Shares prior to the suspension of trading in the China Star Shares on 22 January 2007.

Assuming the initial Conversion Price is HK\$0.32 per Conversion Share, it represents:

- (a) a premium of approximately 6.7% over the closing price of HK\$0.30 per China Star Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a premium of approximately 6.0% over the average closing price of HK\$0.302 per China Star Share for the last 5 trading days up to and including the Last Trading Day;
- (c) a premium of approximately 7.0% over the average closing price of HK\$0.299 per China Star Share for the last 10 trading days up to and including the Last Trading Day;
- (d) a discount of approximately 14.7% to the closing price of HK\$0.375 per China Star Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (e) a discount of approximately 71.4% to the unaudited consolidated net asset value of China Star attributable to its shareholders of approximately HK\$1.12 per China Star Share based on the unaudited consolidated net asset value of China Star attributable to its shareholders of approximately HK\$702,622,000 as at 30 June 2006, being the date to which the latest unaudited consolidated financial statements of the China Star Group were made up, and the issued share capital of 624,646,000 China Star Shares as at 30 June 2006.

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Assuming the initial Conversion Price is HK\$0.25 per Conversion Share, it represents:

- (a) a discount of approximately 16.7% to the closing price of HK\$0.30 per China Star Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a discount of approximately 17.2% to the average closing price of HK\$0.302 per China Star Share for the last 5 trading days up to and including the Last Trading Day;
- (c) a discount of approximately 16.4% to the average closing price of HK\$0.299 per China Star Share for the last 10 trading days up to and including the Last Trading Day;
- (d) a discount of approximately 33.3% to the closing price of HK\$0.375 per China Star Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (e) a discount of approximately 77.7% to the unaudited consolidated net asset value of China Star attributable to its shareholders of approximately HK\$1.12 per China Star Share based on the unaudited consolidated net asset value of China Star attributable to its shareholders of approximately HK\$702,622,000 as at 30 June 2006, being the date to which the latest unaudited consolidated financial statements of the China Star Group were made up, and the issued share capital of 624,646,000 China Star Shares as at 30 June 2006.

Interest rate:	Zero interest.
Maturity:	The day falling 5 years from the date of issue of the Convertible Bond.
Redemption:	Unless previously converted, redeemed or cancelled in accordance with the terms of the Convertible Bond, China Star will redeem the Convertible Bond on the Maturity Date at 100% of the principal amount of the Convertible Bond then outstanding. The yield to maturity of the Convertible Bond is approximately 1.0% per annum.
Transferability:	The Convertible Bond is freely transferable.
Conversion period:	Holder(s) of the Convertible Bond shall have the right to convert, the whole or any part of the outstanding principal amount of the Convertible Bond into Conversion Shares at the then prevailing Conversion Price at any time on or after the 7th day after the issue of the Convertible Bond up to the close of business on the Business Day immediately before the Maturity Date; or, if such Convertible Bond shall have been called for redemption before 5 Business Days from the Maturity Date, then up to the close of business on a date no later than 7 Business Days prior to the date fixed for redemption thereof but in any event before the Maturity Date.

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- Conversion Shares:** Improvemany will undertake to China Star that it will not exercise the conversion rights under the Convertible Bond to such extent that it and its concert parties will result in holding 30% or more of the voting rights of the enlarged issued share capital of China Star. On the basis of the 704,646,608 China Star Shares in issue as at the Latest Practicable Date and assuming the other two subscribers of the Bonds not exercising the conversion rights, upon conversion of the principal amount of the Convertible Bond of HK\$96.59 million into the Conversion Shares at the initial Conversion Price of HK\$0.32 per Conversion Share by Improvemany, a total of 301,843,750 Conversion Shares will be issued and an aggregate of 1,006,490,358 China Star Shares will be in issue as enlarged by such conversion. Accordingly, Improvemany will be interested in approximately 29.99% of the enlarged issued share capital of China Star.
- Assuming the other two subscribers of the Bonds not exercising the conversion rights, upon conversion of the principal amount of the Convertible Bond of HK\$75.46 million into the Conversion Shares at the lowest possible initial Conversion Price of HK\$0.25 per Conversion Share by Improvemany, a total of 301,840,000 Conversion Shares will be issued by China Star and an aggregate of 1,006,486,608 China Star Shares will be in issue as enlarged by such conversion. Improvemany will then be interested in approximately 29.99% of the enlarged issued share capital of China Star.
- Fractions of Conversion Shares will not be issued on conversion and no amount in lieu thereof shall be refunded to Improvemany.
- Voting:** Improvemany will not be entitled to receive notice of, attend or vote at any general meeting of China Star by reason only of it being the holder of the Convertible Bond.
- Listing:** No application will be made for the listing of the Convertible Bond on the Stock Exchange or any other stock exchange. An application will be made by China Star for the listing of, and permission to deal in, the Conversion Shares to be issued as a result of the exercise of the conversion rights attached to the Bonds.
- Ranking:** The obligations of China Star arising under the Bonds shall at all times rank equally among themselves and pari passu with all other present and future unsecured and unsubordinated obligations of China Star.
- The Conversion Shares shall, when issued, rank pari passu in all respects with all other issued share capital of China Star on the date of conversion including the right to all dividends or other distributions.
- Default interest and delay in payment:** If China Star fails to pay any sum in respect of the Convertible Bond when it becomes due and payable, interest shall accrue on the overdue sum at the prime rate as quoted by The Hongkong and Shanghai Banking Corporation Limited plus 5.0% per annum from the due date, calculated on the basis of the actual number of days elapsed and a 360-day year.

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SHAREHOLDING STRUCTURE OF CHINA STAR

Based on the information set out in the China Star Announcement, the shareholding structure of China Star and the effect of conversion of the Bonds assuming no change in the shareholding structure of China Star during the period between the Latest Practicable Date and the conversion of the Bonds is set out below:

	As at the Latest Practicable Date		Upon full conversion of the Bonds at HK\$0.32 per Conversion Share and Improvemany is restricted to less than 30% of the enlarged issued share capital of China Star with any balance Conversion Shares being held by the public		Upon conversion of the Convertible Bond at HK\$0.32 per Conversion Share to such extent that Improvemany holds less than 30% of the enlarged issued share capital of China Star		Upon full conversion of the Bonds at HK\$0.25 per Conversion Share and Improvemany is restricted to less than 30% of the enlarged issued share capital of China Star with any balance Conversion Shares being held by the public		Upon conversion of the Convertible Bond at HK\$0.25 per Conversion Share to such extent that Improvemany holds less than 30% of the enlarged issued share capital of China Star	
	Number of China Star Shares	% (Approximate)	Number of China Star Shares	% (Approximate)	Number of China Star Shares	% (Approximate)	Number of China Star Shares	% (Approximate)	Number of China Star Shares	% (Approximate)
Porterstone Limited (Note 1)	61,905,000	8.79	61,905,000	5.03	61,905,000	6.15	61,905,000	4.49	61,905,000	6.15
Dorest Company Limited (Note 2)	18,510,000	2.62	18,510,000	1.50	18,510,000	1.84	18,510,000	1.34	18,510,000	1.84
Mr. Heung Wah Keung (a director of China Star)	36,395,000	5.17	36,395,000	2.96	36,395,000	3.62	36,395,000	2.64	36,395,000	3.62
Ms. Chen Ming Yin, Tiffany (a director of China Star)	21,144,410	3.00	21,144,410	1.72	21,144,410	2.10	21,144,410	1.53	21,144,410	2.10
Ms. Li Yuk Sheung (a director of China Star)	16	0.00	16	0.00	16	0.00	16	0.00	16	0.00
Improvemany	-	-	369,239,611	29.99	301,843,750	29.99	413,456,117	29.99	301,840,000	29.99
Other subscribers of the Bonds	-	-	137,500,000	11.16	-	-	176,000,000	12.77	-	-
Public shareholders of China Star	566,692,182	80.42	586,515,071	47.64	566,692,182	56.30	651,236,065	47.24	566,692,182	56.30
Total	704,646,608	100.00	1,231,209,108	100.00	1,006,490,358	100.00	1,378,646,608	100.00	1,006,486,608	100.00

Notes:

1. A company incorporated in the British Virgin Islands with limited liability which is beneficially owned by Ms. Chen Ming Yin, Tiffany.
2. A company incorporated in Hong Kong with limited liability which is beneficially owned as to 60% by Ms. Chen Ming Yin, Tiffany through Porterstone Limited and as to 40% by Mr. Heung Wah Keung.

Improvemany will undertake to China Star that it will not exercise the conversion rights under the Convertible Bond to such extent that it and its concert parties will result in holding 30% or more of the voting rights of the enlarged issued share capital of China Star.

As at the Latest Practicable Date, no decision had been made as to whether or when or the extent to which the conversion rights attached to the Convertible Bond would be exercised by Improvemany. The extent of exercise of the conversion rights attached to the Convertible Bond by Improvemany will depend on a number of factors such as the future financial position and business prospects of the China Star Group and the market performance of the China Star Shares. Should Improvemany decide to exercise the conversion rights attached to the Convertible Bond, ITC will comply with the Listing Rules and seek approval from the holders of ITC Ordinary Shares (if necessary) as and when appropriate.

INFORMATION ON CHINA STAR

The China Star Group is principally engaged in film production, distribution of film and television drama series, and the provision of post-production services.

According to the annual report of China Star for the year ended 31 December 2005, the China Star Group recorded an audited consolidated turnover of approximately HK\$165.3 million and HK\$92.2 million for each of the two years ended 31 December 2004 and 2005 respectively. The audited consolidated loss before and after taxation and minority interests of the China Star Group for the year ended 31

LETTER FROM THE BOARD

December 2005 were approximately HK\$20.9 million and HK\$21.0 million respectively. The audited consolidated loss before and after taxation and minority interests of the China Star Group for the year ended 31 December 2004 were both approximately HK\$303.2 million.

As stated in the interim report of China Star for the six months ended 30 June 2006, the China Star Group recorded an unaudited consolidated turnover of approximately HK\$56.0 million as compared with HK\$46.4 million for the same period in 2005. The unaudited consolidated profit before and after taxation and minority interests of the China Star Group for the six months ended 30 June 2006 were both approximately HK\$71.0 million. The unaudited consolidated net asset value of China Star attributable to its shareholders was approximately HK\$702.6 million as at 30 June 2006.

As stated in the China Star Announcement, China Star intends to apply the net proceeds from the issue of the Bonds of approximately HK\$159 million for the acquisition by China Star of a 38.5% equity interest in Kingsway Hotel Limited from Great Trust – Gestao E Participacoes, Limitada, details of which were set out in the announcement of China Star dated 4 January 2007.

REASONS FOR THE SUBSCRIPTION

ITC is an investment holding company which directly and indirectly holds strategic investments in a number of listed companies. The principal activities of the Group comprise investment holding, the provision of finance, the provision of management services, property investment, treasury investment, trading of building materials and machinery and the provision and operation of an internet-based precious metals trading platform.

The Hanny Group is principally engaged in the trading of securities, property investment and trading, holding of vessels for sand mining and other strategic investments including investments in associated companies whose issued shares are listed on the Stock Exchange and the Singapore Exchange Limited and long-term convertible notes issued by companies whose issued shares are listed on the Stock Exchange. Hanny is an investment holding company.

In light of the improved financial results of the China Star Group for the six months ended 30 June 2006 and the intended use of the net proceeds from the issue of the Bonds for the acquisition of equity interest in Kingsway Hotel Limited, the directors of Hanny are optimistic about the business prospects of the China Star Group. The Convertible Bond is to be issued to Improvemany at a 5% discount to the principal amount. The conversion rights attached to the Convertible Bond offer Improvemany a five-year time frame to evaluate the financial performance of the China Star Group and the market performance of the China Star Shares, and the flexibility to acquire equity interests in China Star and an opportunity to enjoy any potential capital gain in the value of the China Star Shares. Based on the above, the directors of Hanny consider that the Subscription is in the interests of Hanny and the shareholders of Hanny as a whole and the terms of the Subscription Agreement are fair and reasonable as far as the shareholders of Hanny are concerned. Based on the above, the Directors also consider that the Subscription is in the interests of ITC and the Shareholders as a whole and the terms of the Subscription Agreement are fair and reasonable as far as the Shareholders are concerned.

FINANCIAL EFFECTS OF THE SUBSCRIPTION

At present, Improvemany intends to fund the Subscription by its internal resources. It is expected that the Subscription will not have material impact on the net asset position of the Group. The subscription price at a discount to the principal amount of the Convertible Bond is expected to bring investment income to the Group.

GENERAL

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

Yours faithfully,
For and on behalf of the Board of
ITC Corporation Limited
Dr. Chan Kwok Keung, Charles
Chairman

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquires, 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. DISCLOSURE OF INTERESTS

(A) Directors' interests and short positions in shares, underlying shares and debentures of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors in the shares, underlying shares and debentures of ITC or any associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to ITC and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) and the Model Code and which were required to be entered in the register kept by ITC pursuant to Section 352 of the SFO, were as follows:

(a) *Interests and short positions in shares, underlying shares and debentures of the Company*

Name of Director	Capacity	Long position/ Short position	No. of ITC Ordinary Shares held	Approximate % of the existing issued ordinary share capital of ITC
Chan Kwok Keung, Charles ("Dr. Chan")	Interest of controlled corporation (<i>Note</i>)	Long position	642,939,242	34.50%

Note: Galaxyway Investments Limited is a wholly-owned subsidiary of Chinaview International Limited which is, in turn, wholly owned by Dr. Chan. Dr. Chan was deemed to be interested in 642,939,242 ITC Ordinary Shares held by Galaxyway Investments Limited.

(b) *Interests and short positions in shares, underlying shares and debentures of the following associated corporations*(i) *Hanny*

Name of Director	Capacity	Long position/ Short position	No. of Hanny Shares held	No. of underlying Hanny Shares (in respect of unlisted equity derivatives) held	Approximate % of the existing issued share capital of Hanny
Dr. Chan	Interests of controlled corporation (Note 1)	Long position	169,949,504 (Note 1)	–	67.22%
Dr. Chan	Interests of controlled corporations (Note 1)	Long position	–	11,304,682 (Note 1)	4.47%
Dr. Chan	Beneficial owner	Long position	1,627,697	–	0.64%
Dr. Chan	Beneficial owner	Long position	–	315,756 (Note 2)	0.12%
Chan Kwok Chuen, Augustine	Beneficial owner	Long position	1,600,000	–	0.63%
Cheung Hon Kit	Beneficial owner	Long position	6	–	0.00%
Shek Lai Him, Abraham	Beneficial owner	Long position	32	–	0.00%

Notes: 1. The Hanny Shares were held by an indirect wholly-owned subsidiary of ITC. ITC, through its wholly-owned subsidiaries, also held the 2% convertible bonds of Hanny due 2011 with an aggregate principal amount of HK\$101,742,150. Upon full conversion of such convertible bonds at an initial conversion price of HK\$9 per Hanny Share (subject to adjustments), 11,304,682 Hanny Shares would be issued to indirect wholly-owned subsidiaries of ITC.

By virtue of his deemed interests in approximately 34.50% of the existing issued ordinary share capital of ITC, Dr. Chan was deemed to be interested in these Hanny Shares and underlying Hanny Shares.

2. Dr. Chan owned the 2% convertible bonds of Hanny due 2011 in the principal amount of HK\$2,841,810. Upon full conversion of such convertible bonds at an initial conversion price of HK\$9 per Hanny Share (subject to adjustments), 315,756 Hanny Shares would be issued to Dr. Chan.

(ii) *Trasy Gold Ex Limited (“Trasy”)*

Name of Director	Capacity	Long position/ Short position	No. of shares of Trasy held	Approximate % of the existing issued share capital of Trasy
Dr. Chan	Interest of controlled corporation (<i>Note</i>)	Long position	1,568,681,139	56.45%

Note: The shares of Trasy were held by an indirect wholly-owned subsidiary of ITC. By virtue of his deemed interests in approximately 34.50% of the existing issued ordinary share capital of ITC, Dr. Chan was deemed to be interested in these shares of Trasy.

(iii) *PYI Corporation Limited (“PYI”)*

Name of Director	Capacity	Long position/ Short position	No. of shares of PYI held	No. of underlying shares (in respect of the share options (unlisted equity derivatives)) of PYI held	Approximate % of the existing issued share capital of PYI
Dr. Chan	Interest of controlled corporation (<i>Note</i>)	Long position	402,368,507	–	27.02%
Dr. Chan	Beneficial owner	Long position	11,915,186	–	0.80%
Chau Mei Wah, Rosanna	Beneficial owner	Long position	–	2,426,000	0.16%
Chan Fut Yan	Beneficial owner	Long position	–	2,500,000	0.17%
Cheung Hon Kit	Beneficial owner	Long position	400	–	0.00%
Shek Lai Him, Abraham	Beneficial owner	Long position	2,000	–	0.00%

Note: The shares of PYI were held by an indirect wholly-owned subsidiary of ITC. By virtue of his deemed interests in approximately 34.50% of the existing issued ordinary share capital of ITC, Dr. Chan was deemed to be interested in these shares of PYI.

(iv) *Burcon NutraScience Corporation (“Burcon”)*

Name of Director	Capacity	Long position/ Short position	No. of shares of Burcon held	No. of underlying shares (in respect of the share options (unlisted equity derivatives)) of Burcon held	Approximate % of the existing issued share capital of Burcon
Chau Mei Wah, Rosanna	Beneficial owner	Long position	321,074	–	1.33%
Chau Mei Wah, Rosanna	Beneficial owner	Long position	–	61,000	0.25%

(v) *Wing On Travel (Holdings) Limited (“Wing On”)*

Name of Director	Capacity	Long position/ Short position	No. of shares of Wing On held	No. of underlying shares (in respect of unlisted equity derivatives) of Wing On held	Approximate % of the existing issued share capital of Wing On
Dr. Chan	Interest of controlled corporations (Note 1)	Long position	135,740,481	–	22.23%
Dr. Chan	Interest of controlled corporation (Note 1)	Long position	–	379,746,835	62.19%
Dr. Chan	Beneficial owner	Long position	4,529,800	–	0.74%
Cheung Hon Kit	Beneficial owner	Long position	–	4,000,000 (Note 2)	0.66%

Notes: 1. 11,406,000 shares of Wing On were held by an indirect wholly-owned subsidiary of ITC. 124,334,481 shares of Wing On were held by an indirect wholly-owned subsidiary of China Enterprises Limited (“CEL”) of which Group Dragon Investment Limited (“GDI”) indirectly owned approximately 55.22% of the effective equity interest. Hanny indirectly held approximately 98.92% of the issued share capital of GDI. ITC indirectly held approximately 67.22% of the issued share capital of Hanny. CEL held a convertible note in the principal amount of HK\$300,000,000. Upon full conversion of such convertible note at an initial conversion price of HK\$0.79 per share of Wing On (subject to adjustments), 379,746,835 shares of Wing On would be issued to CEL. By virtue of his deemed interests in approximately 34.50% of the existing issued ordinary share capital of ITC, Dr. Chan was deemed to be interested in these shares and underlying shares of Wing On.

2. On 22 June 2006, Mr. Cheung Hon Kit was granted share options with rights to subscribe for 4,000,000 shares of Wing On at HK\$0.728 per share of Wing On (subject to adjustments) during the period from 22 June 2006 to 21 June 2008.

Hanny, Trasy, PYI, Burcon and Wing On are associated corporations of ITC within the meaning of Part XV of the SFO.

Dr. Chan was, by virtue of his deemed interest in approximately 34.50% of the existing issued ordinary share capital of ITC, deemed to be interested in the shares and underlying shares (in respect of equity derivatives), if any, of the associated corporations (within the meaning of Part XV of the SFO) of ITC held by the Group under Part XV of the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executives of ITC had, under Divisions 7 and 8 of Part XV of the SFO, nor were they taken to or deemed to have under such provisions of the SFO, any interests and short positions in the shares, underlying shares or debentures of ITC or any associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to ITC and the Stock Exchange or any interests which are required to be entered into the register kept by ITC pursuant to Section 352 of the SFO or any interests which are required to be notified to ITC and the Stock Exchange pursuant to the Model Code.

(B) Interests and short positions of substantial shareholders/other persons recorded in the register kept under the SFO

As at the Latest Practicable Date, so far as is known to the Directors, the following parties had an interest or short position in the ITC Ordinary Shares and underlying shares of ITC which would fall to be disclosed to ITC under the provisions of Divisions 2 and 3 of Part XV of the SFO:

(a) Interests and short positions of substantial shareholders in ITC Ordinary Shares and underlying shares of ITC

Name	Capacity	Long position/ Short position	No. of ITC Ordinary Shares held	Approximate % of the existing issued ordinary share capital of ITC
Dr. Chan	Interest of controlled corporation (Note 1)	Long position	642,939,242	34.50%
Chinaview International Limited	Interest of controlled corporation (Note 1)	Long position	642,939,242	34.50%
Galaxyway Investments Limited	Beneficial owner (Note 1)	Long position	642,939,242	34.50%
Ng Yuen Lan, Macy	Interest of spouse (Note 1)	Long position	642,939,242	34.50%
PMA Capital Management Limited	Investment manager	Long position	223,358,500 (Note 2)	11.99%

Notes: 1. Galaxyway Investments Limited is a wholly-owned subsidiary of Chinaview International Limited which is, in turn, wholly owned by Dr. Chan. Ms. Ng Yuen Lan, Macy is the spouse of Dr. Chan. Chinaview International Limited, Dr. Chan and Ms. Ng Yuen Lan, Macy were deemed to be interested in the ITC Ordinary Shares held by Galaxyway Investments Limited.

2. So far as known to the Directors, Diversified Asian Strategies Fund is managed by PMA Capital Management Limited and the interests in the ITC Ordinary Shares held by PMA Capital Management Limited include the ITC Ordinary Shares held by Diversified Asian Strategies Fund as mentioned in the section headed "Interests and short positions of other persons in ITC Ordinary Shares and underlying shares of ITC" in this Appendix.

(b) Interests and short positions of other persons in ITC Ordinary Shares and underlying shares of ITC

Name	Capacity	Long position/ Short position	No. of ITC Ordinary Shares held	No. of underlying shares (in respect of listed equity derivatives) of ITC held	Approximate % of the existing issued ordinary share capital of ITC
CEF Holdings Limited ("CEF Holdings")	Interest of controlled corporations (<i>Note</i>)	Long position	2,773,046	–	0.15%
CEF Holdings	Interest of controlled corporations (<i>Note</i>)	Long position	–	213,015,153	11.43%
Canadian Imperial Bank of Commerce	Interest of controlled corporations (<i>Note</i>)	Long position	2,773,046	–	0.15%
Canadian Imperial Bank of Commerce	Interest of controlled corporations (<i>Note</i>)	Long position	–	213,015,153	11.43%
Cheung Kong (Holdings) Limited ("CKH")	Interest of controlled corporations (<i>Note</i>)	Long position	2,773,046	–	0.15%
CKH	Interest of controlled corporations (<i>Note</i>)	Long position	–	213,015,153	11.43%
Li Ka-Shing Unity Trustee Company Limited ("TUT1")	Trustee (<i>Note</i>)	Long position	2,773,046	–	0.15%
TUT1	Trustee (<i>Note</i>)	Long position	–	213,015,153	11.43%
Li Ka-Shing Unity Trustee Corporation Limited ("TDT1")	Trustee & beneficiary of a trust (<i>Note</i>)	Long position	2,773,046	–	0.15%
TDT1	Trustee & beneficiary of a trust (<i>Note</i>)	Long position	–	213,015,153	11.43%
Li Ka-Shing Unity Trustcorp Limited ("TDT2")	Trustee & beneficiary of a trust (<i>Note</i>)	Long position	2,773,046	–	0.15%
TDT2	Trustee & beneficiary of a trust (<i>Note</i>)	Long position	–	213,015,153	11.43%
Li Ka-shing	Interest of controlled corporations & founder of discretionary trusts (<i>Note</i>)	Long position	2,773,046	–	0.15%

Name	Capacity	Long position/ Short position	No. of ITC Ordinary Shares held	No. of underlying shares (in respect of listed equity derivatives) of ITC held	Approximate % of the existing issued ordinary share capital of ITC
Li Ka-shing	Interest of controlled corporations & founder of discretionary trusts (<i>Note</i>)	Long position	–	213,015,153	11.43%
Deutsche Bank Aktiengesellschaft	Security interest	Long position	220,440,795	–	11.83%
Diversified Asian Strategies Fund	Beneficial owner	Long position	104,156,194	–	5.59%

Note: So far as known to the Directors, the number of ITC Ordinary Shares and underlying shares (in respect of listed equity derivatives) of ITC held by Asialand Investment Limited (“Asialand”) and CEF (Capital Markets) Limited (“CEF Capital Markets”) were 50,849,968 and 164,938,231 respectively. CEF Capital Markets was wholly owned by CEF Holdings. Asialand was wholly owned by CEF M B Investments Limited which was in turn wholly owned by CEF Holdings.

Each of CKH and CIBC Holdings (Cayman) Limited was entitled to exercise or control the exercise of one-third or more of the voting power at the general meetings of CEF Holdings. CIBC Holdings (Cayman) Limited was wholly owned by Canadian Imperial Bank of Commerce. CEF M B Investments Limited was deemed to be interested in the ITC Ordinary Shares and/or underlying shares (in respect of listed equity derivatives) of ITC held by Asialand. CEF Holdings, CIBC Holdings (Cayman) Limited and Canadian Imperial Bank of Commerce were all deemed to be interested in the ITC Ordinary Shares and underlying shares (in respect of listed equity derivatives) of ITC held by Asialand and CEF Capital Markets.

Li Ka-Shing Unity Holdings Limited, of which each of Mr. Li Ka-shing, Mr. Li Tzar Kuoi, Victor and Mr. Li Tzar Kai, Richard was interested in one-third of the entire issued share capital, owned the entire issued share capital of TUT1. TUT1 as trustee of The Li Ka-Shing Unity Trust, together with certain companies which TUT1 as trustee of The Li Ka-Shing Unity Trust was entitled to exercise or control the exercise of more than one-third of the voting power at their general meetings, held more than one-third of the issued share capital of CKH.

In addition, Li Ka-Shing Unity Holdings Limited also owned the entire issued share capital of TDT1 as trustee of The Li Ka-Shing Unity Discretionary Trust (“DT1”) and TDT2 as trustee of another discretionary trust (“DT2”). Each of TDT1 and TDT2 held units in The Li Ka-Shing Unity Trust.

By virtue of the SFO, each of Mr. Li Ka-shing being the settlor and may being regarded as a founder of each of DT1 and DT2 for the purpose of the SFO, CKH, TUT1, TDT1 and TDT2 was deemed to be interested in ITC Ordinary Shares and underlying shares (in respect of listed equity derivatives) of ITC held by Asialand and CEF Capital Markets.

(c) Substantial shareholding in the other members of the Group

As at the Latest Practicable Date, so far as is known to the Directors, the following parties, other than a Director, was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name of subsidiary	Name of shareholder	% of the issued share capital
Digital Communications Limited	Global 2000 Management Limited	40%
Hanny Investment Group Limited	Global Media Limited	35%
Sino Partner Holdings Limited	Tian Pu Jun	17%
China Telecom International Limited	China Telecom Investment Corporation	49%
Earnfull Industrial Limited	Wang Ming Jan	10%
Orion (B.V.I.) Tire Corporation	Coronada Holding Limited	40%
Orion Tire Corporation	Coronada Holding Limited	40%
Ruby Uniforms Limited	Poon Charn Ki, Frederick	10%

Save as disclosed above, the Directors are not aware that there is any party (not being a Director) who, as at the Latest Practicable Date, had an interest or short positions in the ITC Ordinary Shares and underlying shares of ITC which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any options in respect of such shares.

3. DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As at the Latest Practicable Date, interests of the Directors in competing businesses which are required to be disclosed pursuant to Rule 8.10 of the Listing Rules were as follows:

Name of Director	Name of entity the businesses of which are considered to compete or likely to compete with the businesses of the Group	Description of businesses of the entity which are considered to compete or likely to compete with the businesses of the Group	Nature of interest of the Director in the entity
Chan Fut Yan	Macau Prime Properties Holdings Limited ("MPP") and its subsidiaries	Property investment in Hong Kong and property development and trading in the PRC	As managing director
Cheung Hon Kit	MPP and its subsidiaries	Property investment in Hong Kong and property development and trading in the PRC	As chairman
	Wing On and its subsidiaries	Property investment in Hong Kong and property development in the PRC	As managing director
	China Development Limited	Property investment in Hong Kong	As a director and shareholder
	Artnos Limited	Property investment in Hong Kong	As a director and shareholder
	Co-Forward Development Ltd.	Property investment in Hong Kong	As a director and shareholder
	Orient Centre Limited	Property investment in Hong Kong	As a shareholder
	Super Time Limited	Property investment in Hong Kong	As a director and shareholder
	Asia City Holdings Ltd.	Property investment in Hong Kong	As a director and shareholder
	Supreme Best Ltd.	Property investment in Hong Kong	As a shareholder

Save as disclosed above, none of the Directors nor their respective associates were interested in any business apart from the Group's businesses which competes or is likely to compete, either directly or indirectly, with the Group's businesses as at the Latest Practicable Date.

4. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any existing or proposed service contracts with any member of the Group which is not determinable by the Group within one year without any payment of compensation, other than statutory compensation.

5. LITIGATION

As at the Latest Practicable Date, so far as the Directors are aware, no litigation or claims which is in the opinion of the Directors of material importance was known to the Directors to be pending or threatened against any member of the Group.

6. GENERAL

- (i) The secretary and the qualified accountant of the Company is Law Hon Wa, William, *CPA, FCCA*.
- (ii) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and the principal place of business of the Company in Hong Kong is at 30th Floor, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong.
- (iii) The principal share registrar and transfer office of the Company is Butterfield Fund Services (Bermuda) Limited of Rosebank Centre, 11 Bermudiana Road, Pembroke, Bermuda and the branch share registrar and transfer office of the Company in Hong Kong is Secretaries Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (iv) The English text of this circular shall prevail over the Chinese text for the purpose of interpretation.