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## **ITC CORPORATION LIMITED**

*(Incorporated in Bermuda with limited liability)*

(Stock code: 372)

### **PROPOSED ISSUE AND PLACING OF CONVERTIBLE NOTES**

On 5 September 2007, the Company and the Placing Agent entered into the Placing Agreement pursuant to which, among other things, the Placing Agent conditionally agreed to place, on a best effort basis, up to a maximum principal amount of HK\$200,000,000 Convertible Notes which are convertible into 266,666,666 Conversion Shares at an Initial Conversion Price of HK\$0.75 per Conversion Share (subject to adjustments), to not less than six Places who will be Independent Third Parties.

Assuming that the maximum aggregate principal amount of HK\$200,000,000 Convertible Notes is placed by the Placing Agent, upon full conversion of the Convertible Notes at the Initial Conversion Price (subject to adjustments), a total of 266,666,666 Conversion Shares will be issued, representing (i) approximately 12.3% of the issued ordinary share capital of the Company as at the date of this announcement; and (ii) approximately 10.9% of the issued ordinary share capital of the Company as enlarged by the issue of the Conversion Shares upon full conversion of the Convertible Notes.

Given the net proceeds from the Placing will be used to redeem the outstanding Preference Shares, Shareholders who are also holders of the Preference Shares shall abstain from voting at the SGM on the resolution to approve the Placing Agreement and the transactions contemplated thereunder.

A circular containing, among other things, (i) further details of the Placing Agreement; and (ii) a notice convening the SGM, will be despatched to the Shareholders and, for information only, the holders of the Preference Shares as soon as practicable in accordance with the Listing Rules.

**Shareholders, holders of the Preference Shares and investors of the Company should be aware and take note that the Placing is conducted on a best effort basis and completion of the Placing Agreement is conditional upon satisfaction of all the conditions precedent set out in the Placing Agreement and accordingly may or may not proceed. Shareholders, holders of the Preference Shares and investors of the Company are advised to exercise caution when dealing in the Shares and the Preference Shares, and if they are in any doubt about their position, they should consult their professional advisers.**

## **THE PLACING AGREEMENT**

On 5 September 2007, the Company and the Placing Agent entered into the Placing Agreement pursuant to which, among other things, the Placing Agent conditionally agreed to place, on a best effort basis, up to a maximum principal amount of HK\$200,000,000 Convertible Notes which are convertible into 266,666,666 Conversion Shares at an Initial Conversion Price of HK\$0.75 per Conversion Share (subject to adjustments), to not less than six Placees who will be Independent Third Parties.

Pursuant to the Placing Agreement, the Convertible Notes will not be offered or sold by the Placing Agent to any person who, to the best knowledge and belief of the Placing Agent, will become a substantial shareholder of the Company upon exercise of the conversion rights attaching to Convertible Notes save with the prior written approval from the Company. It is expected that none of the Placees will become a substantial shareholder of the Company upon full conversion of the Convertible Notes.

### **Placing Agent**

The Placing Agent is Taifook Securities. The Placing Agent and its holding company, Taifook Securities Group Limited (a company which shares are listed on the Stock Exchange), are Independent Third Parties. The Placing Agent will receive a placing commission of 2% on the gross proceeds from the placing on a best effort basis of Convertible Notes with a principal amount of up to HK\$200 million. The commission of which will be payable by the Company upon completion of the Placing.

### **Principal terms of the Convertible Notes**

Issuer:	the Company
Maximum aggregate principal amount:	Up to HK\$200,000,000
Initial Conversion Price:	HK\$0.75 per Conversion Share

The Initial Conversion Price was determined on an arm's length basis between the Company and the Placing Agent with reference to, among other things, the recent performance of the price of the Shares.

The Initial Conversion Price is subject to anti-dilutive adjustments, including consolidation or subdivision of the Shares, rights issue, extraordinary stock or cash distribution,

and other dilutive events, which may or may not occur at any time from the date of the Placing Agreement. Adjustment to the Conversion Price shall be certified either (at the option of the Company) by the auditor of the Company for the time being or by a merchant bank of repute in Hong Kong or financial advisor selected by the Company.

The Initial Conversion Price of HK\$0.75 per Conversion Share represents (i) a premium of approximately 8.7% over the closing price of HK\$0.69 per Share as quoted on the Stock Exchange on the date of the Placing Agreement; (ii) a premium of approximately 9.0% over the average of the closing prices of approximately HK\$0.688 per Share in the last five consecutive trading days as quoted on the Stock Exchange prior to and including the date of the Placing Agreement; (iii) a premium of approximately 9.6% over the average of the closing prices of approximately HK\$0.684 per Share in the last ten consecutive trading days as quoted on the Stock Exchange prior to and including the date of the Placing Agreement; and (iv) a discount of approximately 50% to the audited consolidated net assets value attributable to equity holders of the Company of approximately HK\$1.5 per Share as at 31 March 2007.

- Interest: 5% per annum, payable semi-annually
- Maturity date: The second anniversary of the date of issue of the Convertible Notes
- Redemption: On the maturity date, the Noteholder shall be entitled to demand from the Company the full repayment of the outstanding principal amount of any outstanding and unconverted Convertible Notes (if any) plus accrued and unpaid interest in respect of the outstanding principal amount of the outstanding and unconverted Convertible Notes in cash, or at its option to convert (i) the whole (but not part only) of the outstanding principal amount of the outstanding and unconverted Convertible Notes into Shares or (ii) part thereof into Shares together with the full repayment of the remaining principal balance thereof plus accrued and unpaid interest in respect of the outstanding principal amount of the outstanding and unconverted Convertible Notes in cash.
- Transferability: The Convertible Notes will be freely transferable but may not be assigned or transferred to a connected person of the Company without the prior written consent of the Company. The Company shall inform the Stock Exchange when there is any transfer or assignment of Convertible Notes to a connected person of the Company.

Conversion period: A Noteholder shall have the right at any time and from time to time during the period commencing immediately on and including the 7th day after the date of issue of the Convertible Notes (or such earlier date as may be agreed in writing between the Company and the Noteholder) up to and including the date which is 7 days prior to the maturity date to convert the whole or part of the principal amount of the Convertible Note(s) in amounts of not less than HK\$1,000,000 (and in integral multiples of HK\$1,000,000) of the principal amount outstanding under the Convertible Notes into Conversion Shares on each conversion, save that if at any time, the principal amount outstanding of the Convertible Notes is less than HK\$1,000,000 the whole (but not part only) of the outstanding principal amount of the Convertible Notes may be converted.

Voting rights: The Noteholder will not be entitled to receive notice of, attend or vote at any general meeting of the Company by reason only of it being the Noteholder.

Listing: No application will be made for the listing of the Convertible Notes on the Stock Exchange or any other stock exchanges. An application will be made by the Company 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 Convertible Notes.

Ranking: The Convertible Notes will rank pari passu with all other present and future unsecured and unsubordinated obligations of the Company.

The Conversion Shares falling to be issued upon exercise of the conversion rights attaching to the Convertible Notes will, when issued, rank pari passu in all respects with all other Shares in issue as at the date of conversion.

### **Conversion Shares**

Assuming that the maximum aggregate principal amount of HK\$200,000,000 Convertible Notes are placed by the Placing Agent, upon full conversion of the Convertible Notes at the Initial Conversion Price (subject to adjustments), a total of 266,666,666 Conversion Shares will be issued, representing (i) approximately 12.3% of the issued ordinary share capital of the Company as at the date of this announcement; and (ii) approximately 10.9% of the issued ordinary share capital of the Company as enlarged by the issue of the Conversion Shares upon full conversion of the Convertible Notes.

## **Conditions of the Placing**

Completion of the Placing is conditional upon:–

- (i) the Listing Committee of the Stock Exchange having granted (either unconditionally or subject only to conditions to which the Company does not reasonably object) approval for the listing of, and permission to deal in, the Conversion Shares;
- (ii) the passing by the Shareholders at the SGM of the resolution in compliance with the Listing Rules to approve the transactions contemplated under the Placing Agreement including but not limited to the issue of the Convertible Notes and the Conversion Shares; and
- (iii) the passing by the Shareholders at the annual general meeting of the Company to be held on 19 September 2007 to approve the Increase in Authorised Share Capital.

If the above conditions are not fulfilled on or before 30 October 2007 (or such later date as may be agreed between the Placing Agent and the Company in writing), the Placing Agreement shall thereupon lapse and become null and void and the parties will be released from all obligations thereunder, save for any liability arising out of any antecedent breaches thereof.

As at the date of this announcement, the existing authorised share capital of the Company was HK\$328,000,000 divided into 3,000,000,000 Shares and 280,000,000 Preference Shares, of which 2,174,001,598 Shares and 265,062,000 Preference Shares were in issue. As such, the remaining number of Shares which the Company may issue and allot under the existing authorised share capital of 825,998,402 is insufficient to cover the issue of the Bonus Shares and the Conversion Shares, and any Shares which may be issued upon exercise of the share options which may be granted by the Company under its existing share option scheme and the conversion rights attached to the Preference Shares. As such, the completion of the Placing Agreement is conditional upon the passing by the Shareholders at the annual general meeting to be held on 19 September 2007 to approve the Increase in Authorised Share Capital.

## **Completion of the Placing**

Completion of the Placing shall take place on the third Business Day after fulfilment of the last of the above conditions (or such other date as may be agreed between the Company and the Placing Agent).

## EFFECTS ON SHAREHOLDING STRUCTURE

The existing and enlarged shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after full conversion of the Convertible Notes (assuming the maximum principal amount of the Convertible Notes of HK\$200 million have been placed by the Placing Agent) is set out in the table below assuming that there is no other change in the issued ordinary share capital of the Company from the date of this announcement except for the issue of the Conversion Shares.

Shareholders	As at the date of this announcement		Immediately after full conversion of the Convertible Notes	
	Shares	%	Shares	%
Galaxyway (Note)	642,939,242	29.5	642,939,242	26.3
Dr. Chan	38,460,000	1.8	38,460,000	1.6
	<u>681,399,242</u>	<u>31.3</u>	<u>681,399,242</u>	<u>27.9</u>
<b>Public</b>				
– Placees	–	–	266,666,666	10.9
– Other public Shareholders	1,492,602,356	68.7	1,492,602,356	61.2
<b>Subtotal of public</b>	<u>1,492,602,356</u>	<u>68.7</u>	<u>1,759,269,022</u>	<u>72.1</u>
<b>Total</b>	<u>2,174,001,598</u>	<u>100.0</u>	<u>2,440,668,264</u>	<u>100.0</u>

*Note:* Galaxyway Investments Limited is a company indirectly beneficially wholly-owned by Dr. Chan, the Chairman and a substantial shareholder of the Company.

As the Bonus Issue has not become unconditional as at the date of this announcement, the above table has not taken into account the effect on the shareholding structure as a result of the Bonus Issue. Moreover, the Initial Conversion Price will be adjusted in accordance with the terms of the Placing Agreement when the Bonus Issue becomes effective. Further announcement will be made by the Company in this regard.

## **DILUTION EFFECT ON SHAREHOLDERS**

As the Company foresees that there will be future dilution effect on the Shareholders resulting from the exercise of the conversion rights attaching to the Convertible Notes, the Company will keep the Shareholders informed of the level of dilution effect and all relevant details of any conversion of the Convertible Notes in the following manner:

- (a) the Company will make a monthly announcement (the “Monthly Announcement”) on the website of the Stock Exchange. Such announcement will be made on or before the fifth business day following the end of each calendar month and will include the following details:
  - (i) whether there is any conversion of the Convertible Notes during the relevant month. If yes, details of the conversion(s), including the conversion date, number of new Shares issued and conversion price for each conversion. If there is no conversion during the relevant month, a negative statement to that effect;
  - (ii) the principal amount of outstanding Convertible Notes after the conversion, if any;
  - (iii) the total number of Shares issued pursuant to other transactions, including Shares issued pursuant to exercise of options under any share option scheme(s) of the Company or exercise of conversion rights attached to the Preference Shares by the holders, if any; and
  - (iv) the total issued ordinary share capital of the Company as at the commencement and the last day of the relevant month; and
- (b) in addition to the Monthly Announcement, if the cumulative amount of new Shares issued pursuant to the conversion of the Convertible Notes reaches 5% of the issued ordinary share capital of the Company as disclosed in the last Monthly Announcement or any subsequent announcement made by the Company in respect of the Convertible Notes (as the case may be) (and thereafter in a multiple of such 5% threshold), the Company will make an announcement on the website of the Stock Exchange including details as stated in (a) above for the period commencing from the date of the last Monthly Announcement or any subsequent announcement made by the Company in respect of the Convertible Notes (as the case may be) up to the date on which the total amount of Shares issued pursuant to the conversion amounted to 5% of the issued ordinary share capital of the Company as disclosed in the last Monthly Announcement or any subsequent announcement made by the Company in respect of the Convertible Notes (as the case may be).



## **SPECIFIC MANDATE**

The Directors were granted the existing general mandate at the annual general meeting held on 13 September 2006 (“2006 AGM”) to allot, issue and otherwise deal with a maximum of 367,499,029 Shares, representing 20% of the total amount of the issued share capital of the Company of 1,837,495,145 Shares as at the date of the 2006 AGM.

Since the date of the 2006 AGM, the Company has utilized a portion of the existing general mandate by the allotment and issue of an aggregate of 300,000,000 Shares for the allotment and issue of Shares under a placing and top up subscription in June 2007 as announced by the Company on 18 June 2007. As at the date of this announcement, only a total of 67,499,029 new Shares may further be allotted and issued under the existing general mandate.

Since the balance of the existing general mandate is insufficient to cover the Conversion Shares which may fall to be allotted and issued upon exercise of the conversion rights attached to the Convertible Notes, the Company will seek the grant of a specific mandate at the SGM to allot and issue Shares to satisfy the Conversion Shares.

## **REASONS FOR THE PLACING**

The Company 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, provision of finance, property investment and treasury investment.

The Directors consider that the recent market sentiment provides a good opportunity for the Company to raise funds. Assuming all the Convertible Notes are successfully placed by the Placing Agent, the total gross proceeds from the Placing amounted to HK\$200 million. After deducting related expenses of approximately HK\$4.7 million, approximately HK\$195.3 million will be available for the Group. It is intended that all of the net proceeds will be used to redeem the outstanding Preference Shares. As at the date of this announcement, there were 265,062,000 Preference Shares in issue. Assuming there being no exercise of conversion rights attached to the Preference Shares by the holders thereof from the date of this announcement and up to the date of redemption of the Preference Shares (the “PS Redemption Date”), the Company will have to pay a redemption amount of approximately HK\$281 million to redeem the outstanding Preference Shares. The Company considers that the Placing will provide the Company with a material portion of the necessary funds to execute the redemption of the Preference Shares. In the event that the net proceeds from the Placing is not sufficient to redeem all outstanding Preference Shares on the PS Redemption Date, the Company intends to finance such remaining balance by internal resources. On the other hand, in case the Preference Shares are converted to an extent that the amount required for the redemption of the outstanding Preference Shares at the PS Redemption Date is less than that of the net proceeds arising from Placing, the Directors intend to apply the excess portion (if any) as general working capital of the Group.



The Company has considered various ways of raising funds other than the placing of Convertible Notes, such as bank borrowings, placing of Shares, rights issue and open offer. However, the Company considers that such other methods of financing would be less preferable and effective than the placing of Convertible Notes in view of immediate dilution effect to the existing Shareholders under a placing of Shares, the size of the new capital to be raised and the relatively higher cost and longer time involved in other funding arrangement such as rights issue, open offer and bank borrowings. The Company considers the placing of Convertible Notes as the most convenient, quickest and best available fund-raising methods as compared to the other methods of financing under current circumstances.

Having regard to the above, the Directors consider that the terms of the Placing Agreement (including the terms of the Convertible Notes) are fair and reasonable and the entering into of the Placing Agreement is in the interests of the Company and its shareholders as a whole.

### **FUND RAISING ACTIVITIES IN THE PAST 12 MONTHS**

As announced by the Company on 18 June 2007, on 16 June 2007, the Company, Dr. Chan and Kingston Securities Limited had entered into a placing and subscription agreement, pursuant to which (i) Dr. Chan agreed to place, through Kingston Securities Limited, an aggregate of 300,000,000 Shares at a price of HK\$0.74 per Share to not less than six places, and (ii) the Company agreed to issue and Dr. Chan agreed to subscribe for 300,000,000 Shares at a price of HK\$0.74 per Share. The subscription by Dr. Chan was completed on 29 June 2007 and net proceeds of approximately HK\$215.3 million was received by the Company from the subscription by Dr. Chan. It was intended that the net proceeds would be used as general working capital of the Group. As at the date of this announcement, approximately HK\$34.4 million of such proceeds has been used.

### **GENERAL**

Given the net proceeds from the Placing will be used to redeem the outstanding Preference Shares, Shareholders who are also holders of the Preference Shares shall abstain from voting at the SGM on the resolution to approve the Placing Agreement and the transactions contemplated thereunder.

A circular containing, among other things, (i) further details of the Placing Agreement; and (ii) a notice convening the SGM to consider the Placing Agreement and the issue of the Convertible Notes and Conversion Shares will be despatched to the Shareholders and, for information only, the holders of the Preference Shares as soon as practicable in accordance with the Listing Rules.

**Shareholders, holders of the Preference Shares and investors of the Company should be aware of and take note that the Placing is conducted on a best effort basis and completion of the Placing Agreement is conditional upon satisfaction of all the conditions precedent set out in the Placing Agreement and accordingly may or may not proceed. Shareholders, holders of the Preference Shares and investors of the Company are advised to exercise caution when dealing in the Shares and the Preference Shares, and if they are in any doubt about their position, they should consult their professional advisers.**

## DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise.

“Bonus Issue”	the proposed issue of the Bonus Shares to the Shareholders whose names appear on the register of the Shareholders at the close of business on 15 October 2007 on the basis of one Bonus Share for every five Shares held on that day, which will be put to Shareholders’ approval at the special general meeting to be held on 19 September 2007. Certificates for the Bonus Shares are expected to be despatched on 5 November 2007, details of the Bonus Issue (including the relevant conditions and proposed timetable) were set out in the Company’s announcements dated 27 July 2007 and 1 August 2007 and circular dated 21 August 2007
“Bonus Shares”	new Share(s) to be issued by way of the Bonus Issue by the Company
“Business Day”	any day (excluding Saturday and Sunday) on which banks in Hong Kong are open for business
“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
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Conversion Share(s)”	new Share(s) falling to be allotted and issued by the Company upon exercise of the conversion rights attaching to the Convertible Notes
“Convertible Note(s)”	the convertible note(s) in an aggregate principal amount of up to HK\$200,000,000 which may be issued by the Company pursuant to the Placing Agreement
“Director(s)”	the director(s) of the Company
“Dr. Chan”	Dr. Chan Kwok Keung, Charles, the Chairman and a substantial shareholder of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Increase in Authorised Share Capital”	the proposed increase in the authorised share capital of the Company from HK\$328,000,000 comprising 3,000,000,000 Shares and 280,000,000 Preference Shares to HK\$1,028,000,000 by the creation of 7,000,000,000 Shares as detailed in the Company’s circular dated 31 July 2007 which will be put to Shareholders’ approval at the annual general meeting to be held on 19 September 2007
“Independent Third Party(ies)”	party(ies) who, together with its/their ultimate beneficial owner(s), is/are person(s) independent of the Company and its connected persons
“Initial Conversion Price”	HK\$0.75 per Conversion Share, subject to adjustments from the date of the Placing Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Noteholder(s)”	holder(s) of the Convertible Notes
“Placee(s)”	the placee(s) to be procured by Taifook Securities under the Placing, all of which and its/their respective beneficial owners is/are Independent Third Party(ies)
“Placing”	the placing of the Convertible Notes, on a best effort basis, by the Placing Agent pursuant to the Placing Agreement
“Placing Agent” or “Taifook Securities”	Taifook Securities Company Limited, a corporation licensed to carry out types 1 (dealing in securities), 3 (leveraged foreign exchange trading) and 4 (advising on securities) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Placing Agreement”	the conditional placing agreement dated 5 September 2007 entered into between the Company and the Placing Agent in relation to the Placing

“Preference Share(s)”	the redeemable convertible preference share(s) of HK\$0.10 each in the share capital of the Company issued by the Company in early 1997 as non-redeemable convertible preference shares and converted into redeemable convertible preference shares on 3 November 2004 with a redemption value of HK\$1.06 per preference share, which are listed on the Stock Exchange and will be redeemed on 3 November 2007 (or on the next following business day if it is not a business day), details of which were set out in the Company’s announcements dated 18 August 2004, 13 October 2004 and 29 October 2004 and the Company’s circular dated 21 September 2004. As at the date of this announcement, there are 265,062,000 redeemable convertible preference shares in issue
“SGM”	a special general meeting of the Company to be convened to consider and, if thought fit, approve, among other things, the Placing Agreement and the transactions contemplated under the Placing Agreement (including the issue of the Convertible Notes and the Conversion Shares)
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholders”	holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

By Order of the Board  
**ITC CORPORATION LIMITED**  
**Law Hon Wa, William**  
*Company Secretary*

Hong Kong, 5 September 2007

As at the date of this announcement, the Directors are as follows:

*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, *JP*