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**ITC**

**ITC CORPORATION LIMITED**

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 372)

**DISCLOSEABLE TRANSACTION**

**DISPOSAL OF SHARES IN  
PYI CORPORATION LIMITED**

**AND**

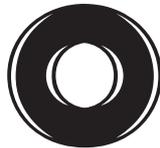
**RESUMPTION OF TRADING**

**Financial Adviser**

**ANGLO CHINESE**

CORPORATE FINANCE, LIMITED

**Placing Agent**



MACQUARIE

**Macquarie Securities Limited**

Further to the announcements of ITC and PYI both dated 18 August 2004, 15 October 2004 and 19 October 2004 and the circulars of ITC dated 21 September 2004 and 5 November 2004, the directors of ITC wish to announce that its wholly-owned subsidiary has unconditionally agreed to dispose of 150 million PYI Shares, representing approximately 11.04% of the existing issued share capital of PYI, to more than six independent third parties, including international institutional investors, at the price of HK\$1.50 per PYI Share on 28 September 2005 through the placing agent (being Macquarie Securities Limited). After such disposal, ITC's shareholding interest in PYI will decrease from approximately 49.96% to approximately 38.92% of the issued share capital of PYI.

At the request of ITC, trading in the securities in ITC on the Stock Exchange was suspended at 9:30 a.m. on 29 September 2005 pending the release of this announcement. Application has been made to the Stock Exchange to resume trading in the securities in ITC with effect from 9:30 a.m. on 30 September 2005.

## **DISPOSAL OF PYI SHARES**

Reference is made to the announcements of ITC and PYI both dated 18 August 2004, 15 October 2004 and 19 October 2004 and the circulars of ITC dated 21 September 2004 and 5 November 2004.

The directors of ITC wish to announce that its wholly-owned subsidiary, Hollyfield, has unconditionally agreed to dispose of 150 million PYI Shares at a price of HK\$1.50 per PYI Share, representing approximately 11.04% of the existing issued share capital of PYI as at the date of this announcement, to more than six independent third parties, including international institutional investors, on 28 September 2005 through the Placing Agent. The independent third parties and their ultimate beneficial owners are, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, independent of ITC and any director, chief executive or substantial shareholder of any member of the Group or any associate of any of them or any connected persons (as defined by the Listing Rules) of the Company. The Company is not aware whether the disposal will introduce a new substantial shareholder to PYI. The Placing Agent and its ultimate beneficial owner are, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, independent third parties and independent of ITC and any director, chief executive or substantial shareholder of any member of the Group or any associate of any of them or any connected persons (as defined by the Listing Rules) of the Company. The disposal price is determined after arm's length negotiation with the Placing Agent and the Directors believe that the terms of the disposal are fair and reasonable and in the interests of the Company and the shareholders as a whole. After such disposal of 150 million PYI Shares, ITC's shareholding interest in PYI will decrease from approximately 49.96% to approximately 38.92% of the issued share capital

of PYI. In accordance with the agreement between Hollyfield and the Placing Agent, the disposal will be settled, and completed, on or before 4 October 2005 and Hollyfield has undertaken to the Placing Agent within 45 days after the settlement date of the disposal it will not further dispose of any of its remaining interests in PYI.

Hollyfield has agreed to dispose of 150 million PYI Shares at a price of HK\$1.50 per PYI Share, representing:

- a discount of approximately 7.4% to the net asset value of HK\$1.62 per PYI Share (which is calculated based on the audited net asset value of approximately HK\$3,179.8 million as at 31 March 2005 divided by the number of PYI Shares outstanding as at 31 March 2005 of approximately 1,369.2 million PYI Shares and adjusted by the special cash dividend of HK\$0.7 per PYI Share paid in July 2005, this information is obtained from the annual report of PYI for the year ended 31 March 2005);
- a price to earnings ratio of 3.9 times the basic earnings per PYI Share of HK\$0.386 for the year ended 31 March 2005;
- a discount of approximately 5.7% to the closing price of HK\$1.590 per PYI Share as quoted on the Stock Exchange on 28 September 2005;
- a discount of approximately 3.1% to the average closing price of HK\$1.548 per PYI Share as quoted on the Stock Exchange for the last 5 trading days up to and including 28 September 2005;
- a discount of approximately 3.7% to the average closing price of HK\$1.557 per PYI Share as quoted on the Stock Exchange for the last 10 trading days up to and including 28 September 2005;
- a premium of approximately 3.4% to the average closing price of HK\$1.451 per PYI Share as quoted on the Stock Exchange for the last 30 trading days up to and including 28 September 2005; and
- a premium of approximately 12.0% to the average closing price of HK\$1.339 per PYI Share as quoted on the Stock Exchange for the last 60 trading days up to and including 28 September 2005.

Of the 150 million PYI Shares disposed, 57,500,000 PYI Shares were sold pursuant to, and in accordance with, the mandate granted by shareholders of ITC on 6 October 2004 (being the remaining balance of PYI Shares approved to be disposed under that mandate). The remaining 92.5 million PYI Shares, representing an aggregate value of approximately HK\$138.8 million, constitutes a discloseable transaction of ITC under Chapter 14 of the Listing Rules.

In accordance with the mandate granted by shareholders of ITC on 6 October 2004, the disposal of the 57,500,000 PYI Shares have been based on the following basis:

- The price equals to or exceeds HK\$0.512 per PYI Share;
- The maximum number of PYI Shares to be disposed under the mandate granted by the shareholders of ITC on 6 October 2004 does not exceed 134,500,000 PYI Shares;
- All the PYI Shares are to be disposed, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, to parties who are independent of ITC and any director, chief executive or substantial shareholder of any member of the Group or any associate of any of them; and
- The disposal is to be completed within twelve months of the approval of shareholders of ITC being given.

#### **FINANCIAL EFFECT OF THE DISPOSAL ON ITC**

The disposal of 150 million PYI Shares will raise approximately HK\$225 million in cash, before expenses and tax, for ITC on completion. As at the date of this announcement, there is no specific use for the proceeds other than to be used for general working capital.

According to the Group's books and records at 31 March 2005, the carrying amount per PYI Share, after adjusting the 2005 special cash dividend and the 2005 final dividend of PYI, was approximately HK\$1.199, resulting in an estimated profit on the disposal of 150 million PYI Shares of approximately HK\$45 million, before expenses and tax. As required by the Hong Kong Financial Reporting Standard 3 newly issued by the Hong Kong Institute of Certified Public Accountants, the amount of the excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised over the cost of the acquisition of PYI

was transferred to the retained earnings on 1 April 2005. Accordingly, the carrying amount per PYI Share of the Group will increase to approximately HK\$1.417 and the estimated profit on the disposal of 150 million PYI Shares, before expenses and tax, will be reduced to approximately HK\$12 million.

### **REASONS FOR THE DISPOSAL**

The disposal of 150 million PYI Shares has enabled the Company to realise a portion of its shareholding interest in PYI, diversify its investment base, which is presently dominated by its interests in PYI, and serve to enhance the balance of its investment holdings. It will also enable the Company to increase the public float and widen the shareholder base of PYI, while remaining the single largest shareholder of PYI. Although no acquisition or investment proposals are currently under negotiation, the proceeds after disposal, amounting approximately HK\$225 million, before expenses and tax, may provide the Company with additional resources to fund such acquisitions and investments.

### **INFORMATION ON ITC**

The Company is an investment holding company which directly and indirectly holds strategic investments in a number of listed companies. It directly holds investments, namely, PYI, Hanny Holdings Limited (“Hanny”), Trasy Gold Ex Limited (“Trasy”) and Burcon NutraScience Corporation. Through its listed associated companies, namely PYI and Hanny, the Group has indirect interests in Paul Y. Engineering Group Limited, China Strategic Holdings Limited, Wing On Travel (Holdings) Limited, China Enterprises Limited, MRI Holdings Limited, PSC Corporation Limited and Intraco Limited. 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 electronic trading system to facilitate the trading of precious metals carried out through Trasy.

### **INFORMATION ON PYI**

The principal activities of PYI Group include the development and investment in port and other infrastructure projects, property investment, treasury investment and, through its subsidiary, Paul Y. Engineering Group Limited, construction, project

management, facilities management and trading of construction materials.

The following is a summary of the audited consolidated results of PYI Group for the two years ended 31 March 2004 and 2005 respectively:

|                             | <b>For the year ended<br/>31 March</b> |                 |
|-----------------------------|--|-----------------|
|                             | <b>2004</b>                            | <b>2005</b>     |
|                             | <i>HK\$'000</i>                        | <i>HK\$'000</i> |
| Profit before taxation      | 208,566                                | 533,684         |
| Taxation                    | (45,678)                               | (11,812)        |
| Profit after taxation       | <u>162,888</u>                         | <u>521,872</u>  |
| (before minority interests) | <u>162,888</u>                         | <u>521,872</u>  |

## **GENERAL**

A circular containing the details of disposal will be despatched to the shareholders of ITC within 21 days after the publication of this announcement.

At the request of ITC, trading in the securities in ITC on the Stock Exchange was suspended at 9:30 a.m. on 29 September 2005 pending the release of this announcement. Application has been made to the Stock Exchange to resume trading in the securities in ITC with effect from 9:30 a.m. on 30 September 2005.

As at the date of this announcement, the Board comprises of eight Directors, of which five are executive Directors, namely Dr. Chan Kwok Keung, Charles, Ms. Chau Mei Wah, Rosanna, Mr. Chan Kwok Hung, Mr. Chan Fut Yan and Mr. Cheung Hon Kit; and three are independent non-executive Directors, namely Mr. Chuck Winston Calptor, Mr. Lee Kit Wah and Mr. Wong Kam Cheong, Stanley.

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:–

|                       |  |
|-----------------------|--|
| “Board”               | Board of Directors   |
| “Company” or<br>“ITC” | ITC Corporation Limited, a company whose securities are listed on the Stock Exchange |
| “Director(s)”         | the director(s) of the Company   |

|                  |   |
|------------------|---|
| “Group”          | the Company and its subsidiaries  |
| “Hollyfield”     | Hollyfield Group Limited, a company incorporated with limited liability in Samoa and a wholly-owned subsidiary of the Company |
| “Placing Agent”  | Macquarie Securities Limited  |
| “PVI”            | PVI Corporation Limited, a company whose shares are listed on the Stock Exchange  |
| “PVI Group”      | PVI and its subsidiaries  |
| “PVI Share(s)”   | ordinary share(s) of HK\$0.10 each in the share capital of PVI  |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited   |
| “Listing Rules”  | The Rules Governing the Listing of Securities on the Stock Exchange   |
| “HK\$”           | Hong Kong dollars   |

By Order of the Board  
**ITC Corporation Limited**  
**Law Hon Wa, William**  
*Company Secretary*

Hong Kong, 29 September 2005

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