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# ITC CORPORATION LIMITED

*(Incorporated in Bermuda with limited liability)*

(Stock code: 372)

## MAJOR TRANSACTION

### POSSIBLE DISPOSALS OF SHARES IN

### PYI CORPORATION LIMITED

Financial Adviser

**ANGLO CHINESE**  
CORPORATE FINANCE, LIMITED

The Directors intend to seek Ordinary Shareholders' approval for the possible disposal of PYI Shares in an amount which would constitute a major transaction. Under the Listing Rules, certain percentage ratios are used to determine the classification of transactions. Where any of such percentage ratios for a disposal is 25% or more but less than 75%, the disposal will constitute a major transaction under the Listing Rules. Due to the fact that the percentage ratios under the Listing Rules are required to be based on the information available at the time of the transaction, the figures used in this announcement (except the minimum disposal price) are for illustration and should be used as a reference only. Given the market capitalisation of ITC and the minimum disposal price of HK\$3 per PYI Share, the maximum consideration is approximately HK\$830 million representing up to approximately 276.6 million PYI Shares, which is approximately 18.55% of the existing issued share capital of PYI. Assuming that the implied maximum of approximately 276.6 million PYI Shares are sold, the ITC's shareholding interest in PYI will decrease from approximately 26.98% to approximately 8.43% of the existing issued share capital of PYI. The price of any disposal will be subject to a minimum price of HK\$3 per PYI Share (subject to adjustment in the event of a share consolidation or share subdivision by PYI). The minimum price of HK\$3 per PYI Share represents a 11.2% discount to the closing price of HK\$3.38 as quoted on the Stock Exchange on 8 March 2007.

The proposed disposal of PYI Shares will constitute a major transaction for the Company under the Listing Rules, for which Ordinary Shareholders' approval is required. At present no Ordinary Shareholder is required to abstain from voting on the approval of the disposal.

A circular containing, among other things, details of the possible disposal and a notice of a special general meeting of the Company will be despatched to the shareholders of the Company as soon as practicable.

#### DISPOSAL OF PYI SHARES

The Directors intend to seek Ordinary Shareholders' approval for the possible disposal of PYI Shares in an amount which would constitute a major transaction. Under the Listing Rules, certain percentage ratios are used to determine the classification of transactions. Where any of such percentage ratios for a disposal is 25% or more but less than 75%, the disposal will constitute a major transaction under the Listing Rules. Due to the fact that the percentage ratios under the Listing Rules are required to be based on the information available at the time of the transaction, the figures used in this announcement (except the minimum disposal price) are for illustration and should be used as a reference only. Given the market capitalisation of ITC and the minimum disposal price of HK\$3 per PYI Share, the maximum consideration is approximately HK\$830 million representing up to approximately 276.6 million PYI Shares, which is approximately 18.55% of the existing issued share capital of PYI. Assuming that the implied maximum of approximately 276.6 million PYI Shares are sold, the ITC's shareholding interest in PYI will decrease from approximately 26.98% to approximately 8.43% of the existing issued share capital of PYI. The price of any disposal will be subject to a minimum price of HK\$3 per PYI Share (subject to adjustment in the event of a share consolidation or share subdivision by PYI). The minimum price of HK\$3 per PYI Share represents a 11.2% discount to the closing price of HK\$3.38 as quoted on the Stock Exchange on 8 March 2007.

No contractual arrangements have been entered into by the Company in relation to the possible disposal of PYI Shares as the Directors consider that the Company should first obtain the approval from the Ordinary Shareholders for the disposal so that a disposal can be effected expeditiously when market conditions are favourable.

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The proposed disposal of PYI Shares may be made on market, private placing or placing through placing agent(s). In the event that placing agreement(s) is/are entered into with placing agent(s) to dispose of the mandated PYI Shares, the Company will disclose such placing agreement(s) through published announcement(s). Further, the Company may also make an additional announcement when: (i) the aggregate disposal of PYI Shares first exceeds the 25% major transaction threshold; (ii) upon expiration of the disposal mandate; and (iii) if any disclosure obligation should arise under Rule 13.09 of the Listing Rules in relation to the proposed disposal.

The disposal for which advance Ordinary Shareholders' approval is being sought will only be effected if:

- the minimum disposal price equals to or exceeds HK\$3 per PYI Share (subject to adjustment in the event of a share consolidation or share subdivision by PYI);
- all of the percentage ratios under the Listing Rules for the aggregated disposal of PYI Shares under the mandate granted by the Ordinary Shareholders to be below 75%;
- all the PYI Shares to be disposed are disposed, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, to parties who are independent of the Company 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; and
- the disposal is completed within twelve months of the approval of Ordinary Shareholders being given, which the Directors consider to be a reasonable period to conduct such disposal of PYI Shares.

The minimum disposal price per PYI Share represents:

- a premium of approximately 72.4% to the net asset value of HK\$1.74 per PYI Share (which is calculated based on the unaudited net asset value of approximately HK\$2,547.3 million as at 30 September 2006 divided by the number of PYI Shares outstanding as at 30 September 2006 of approximately 1,462.6 million PYI Shares, this information is obtained from the interim report of PYI for the six months ended 30 September 2006);
- a price to earnings ratio of 13.2 times the basic earnings per PYI Share of HK\$0.227 for the year ended 31 March 2006;
- a discount of approximately 11.2% to the closing price of HK\$3.38 per PYI Share as quoted on the Stock Exchange on 8 March 2007;
- a discount of approximately 5.7% to the average closing price of HK\$3.18 per PYI Share as quoted on the Stock Exchange for the last 30 trading days up to and including 8 March 2007;
- equal to the average closing price of HK\$3 per PYI Share as quoted on the Stock Exchange for the last 60 trading days up to and including 8 March 2007;
- a premium of approximately 1.7% to the average closing price of HK\$2.95 per PYI Share as quoted on the Stock Exchange for the last 90 trading days up to and including 8 March 2007; and
- a premium of approximately 7.5% to the average closing price of HK\$2.79 per PYI Share as quoted on the Stock Exchange for the last 180 trading days up to and including 8 March 2007.

Upon approval by the Ordinary Shareholders of the proposed disposal which constitutes a major transaction for the Company, the Company will closely monitor the disposal of PYI Shares to ensure that the aggregate disposals will not give rise to a very substantial disposal. If such an event should occur, the Company will either discontinue further disposals or adhere to any additional requirements under the Listing Rules, including seeking further approval by the Ordinary Shareholders, if required, before proceeding with further disposals of PYI Shares.

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

Based on the market capitalisation of ITC and the minimum disposal price of HK\$3 per PYI Share, the disposal will raise up to a maximum of approximately HK\$830 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 30 September 2006, the carrying amount per PYI Share was approximately HK\$1.87, resulting in an estimated profit on the disposal of approximately HK\$313 million, before expenses and tax, based on the minimum price of HK\$3 per PYI Share and the implied maximum number of approximately 276.6 million PYI Shares. The Group shall discontinue the use of the equity method from the date that PYI ceases to be an associate of the Group and shall account for the investment in PYI in accordance with Hong Kong Accounting Standard 39 "Financial Instruments: Recognition and Measurement".

#### **REASONS FOR THE DISPOSAL**

On 18 August 2004 and 10 November 2005, the Company announced disposals of its shareholding interests in PYI. These disposals have increased the public float and amount of institutional holding, and generally widened the shareholder base of PYI. Since the announcement dated 18 August 2004, the Company has seen its investment in PYI increase from HK\$0.52 per PYI Share to HK\$3.38 per PYI Share as at 8 March 2007. The proposed further disposal of PYI Shares will enable the Company to realise a portion of its shareholding interest in PYI and diversify its investment base. It will also enable the Company to further increase the public float and widen the shareholder base of PYI. Although no acquisition or investment proposals are currently under negotiation, the proceeds after disposal may provide the Company with additional resources to fund such acquisitions and investments when opportunities arise.

## 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, Hanny Holdings Limited (“Hanny”), PYI, Trasy Gold Ex Limited and Burcon NutraScience Corporation. Through its listed non-wholly owned subsidiary, Hanny, and its listed associated company, PYI, the Group has indirect interests in Paul Y. Engineering Group Limited, Macau Prime Properties Holdings Limited, See Corporation Limited, Wing On Travel (Holdings) Limited, China Enterprises Limited, MRI Holdings Limited, PSC Corporation Limited, Intraco Limited and Tat Seng Packaging Group Limited. The principal activities of the Group comprise investment holding, the provision of finance, the provision of management services, property investment and trading, treasury investment, trading of building materials and machinery, holding of vessels for sand mining and the provision and operation of an internet precious metals trading platform.

## INFORMATION ON PYI

The PYI Group is principally engaged in the business of development and investment in port and other infrastructure projects, land and property development and investment in association with port facilities, treasury investment and, through its subsidiary, Paul Y. Engineering Group Limited, construction and engineering, project management and facilities management.

The following is a summary of the audited consolidated results of PYI Group for the two years ended 31 March 2005 and 2006 respectively:

	<b>For the year ended 31 March</b>	
	<b>2006</b>	<b>2005</b>
		(restated)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before taxation	398,754	497,163
Taxation	(52,804)	23,772
Profit after taxation (before minority interests)	<u>345,950</u>	<u>520,935</u>

## GENERAL

A circular containing the details of possible disposal and a notice convening a special general meeting of the Company will be despatched to the shareholders of ITC as soon as practicable.

## DEFINITIONS

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

“Board”	Board of Directors
“Company” or “ITC”	ITC Corporation Limited (stock code: 372), a company whose securities are listed on the main board of the Stock Exchange
“Director(s)”	The director(s) of the Company
“Group”	the Company and its subsidiaries
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Ordinary Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of ITC
“Ordinary Shareholder(s)”	the holders of Ordinary Shares
“PYI”	PYI Corporation Limited (stock code: 498), a company whose shares are listed on the main board of the Stock Exchange
“PYI Group”	PYI and its subsidiaries
“PYI Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of PYI
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars

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

Hong Kong, 12 March 2007

As at the date of this announcement, the Board comprised:-

### *Executive Directors*

Dr. Chan Kwok Keung, Charles (*Chairman*)

Ms. Chau Mei Wah, Rosanna

(*Deputy Chairman & 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.

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