



**ITC CORPORATION
LIMITED**

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



**PAUL Y. - ITC CONSTRUCTION
HOLDINGS LIMITED**

(Incorporated in Bermuda with limited liability)
(Stock code: 498)

**DISPOSAL OF SHARES IN PAUL Y. - ITC CONSTRUCTION HOLDINGS LIMITED
AND
RESUMPTION OF TRADING**

Financial adviser

ANGLO CHINESE

CORPORATE FINANCE, LIMITED

Further to the announcements of ITC and Paul Y. - ITC both dated 18 August 2004, the circular of ITC dated 21 September 2004 and the joint announcement of ITC and Paul Y. - ITC dated 15 October 2004, the directors of ITC wish to inform that its wholly-owned subsidiary has agreed to dispose of 77 million shares in Paul Y. - ITC, representing approximately 5.8% of the existing issued share capital of Paul Y. - ITC, to more than six independent third parties at the price of HK\$1.05 per share on 18 October 2004. After such disposal, the ITC's shareholding interest in Paul Y. - ITC will decrease from approximately 55.1% to approximately 49.3% of the issued share capital of Paul Y. - ITC. Paul Y. - ITC will become an associated company of ITC and be equity accounted for by ITC.

At the request of ITC and Paul Y. - ITC, trading in the securities in ITC and Paul Y. - ITC on the Stock Exchange was suspended at 9:30 a.m. on 18 October 2004 pending the release of this joint announcement. Applications have been made to the Stock Exchange to resume trading in the securities in ITC and Paul Y. - ITC with effect from 9:30 a.m. on 20 October 2004.

Disposal of shares in Paul Y. - ITC

Reference is made to the announcements of ITC Corporation Limited ("ITC") and Paul Y. - ITC Construction Holdings Limited ("Paul Y. - ITC") both dated 18 August 2004, the circular of ITC dated 21 September 2004 and the joint announcement of ITC and Paul Y. - ITC dated 15 October 2004, in relation to, amongst other things, the very substantial disposal resulting from the possible disposal of shares in Paul Y. - ITC so that Paul Y. - ITC will become an associated company of ITC.

This proposed very substantial disposal in relation to the shares in Paul Y. - ITC has been approved by shareholders of ITC at the special general meeting of ITC held on 6 October 2004. The disposal will be based on the following terms:

- The price equals to or exceeds HK\$0.512 per share in Paul Y. - ITC;
- The maximum number of shares in Paul Y. - ITC to be disposed under the mandate granted by the shareholders of ITC does not exceed 134,500,000 shares in Paul Y. - ITC;
- All the shares in Paul Y. - ITC to be disposed, to the best of the directors of ITC knowledge, information and belief having made all reasonable enquiries, with parties who are independent of ITC and any director, chief executive or substantial shareholder of any member of the ITC group or any associate of any of them; and
- The disposal is completed within twelve months of the approval of shareholders of ITC being given, which the directors of ITC consider to be a reasonable period to conduct such a disposal of shares in Paul Y. - ITC after having taken into account the current market situation.

The directors of ITC wish to inform that its wholly-owned subsidiary, Hollyfield Group Limited, has unconditionally agreed to dispose of 77 million shares in Paul Y. - ITC at a price of HK\$1.05 per share in Paul Y. - ITC, representing approximately 5.8% of the existing issued share capital of Paul Y. - ITC as at the date of this announcement, to more than six independent third parties on 18 October 2004. These independent third parties, and their ultimate beneficial owners, are independent of ITC and Paul Y. - ITC and any director, chief executive or substantial shareholder of any member of the ITC group or any associate of any of them. These independent third parties will not become substantial shareholders, as defined in the Listing Rules, of Paul Y. - ITC immediately after the completion of the disposal. The expected date of completion is on or before 25 October 2004. After such disposal, the ITC's shareholding interest in Paul Y. - ITC will decrease from approximately 55.1% to approximately 49.3% of the issued share capital of Paul Y. - ITC. The public float of Paul Y. - ITC before and after the completion of the disposal is 29.8% and 35.6% respectively. After the disposal, Paul Y. - ITC will no longer be a subsidiary of ITC and will become an associated company of ITC which will be equity accounted for by ITC.

Hollyfield Group Limited has agreed to dispose of the 77 million shares in Paul Y. - ITC at a price of HK\$1.05 per share, representing a discount of approximately 49.0% to the net asset value of HK\$2.06 per share (which is calculated based on the audited net asset value of approximately HK\$2,770.9 million as at 31 March 2004 divided by the number of shares outstanding as at 31 March 2004 of approximately 1,345.2 million shares, these information are obtained from the annual report of Paul Y. - ITC for the year ended 31 March 2004); a price to earning ratio of 7.2, which is based on the price of HK\$1.05 divided by the earnings per share for the year ended 31 March 2004 of approximately HK\$0.146 (which is calculated based on the audited profit after tax of approximately HK\$163.6 million for the year ended 31 March 2004 divided by the weighted average number of ordinary shares for the year ended 31 March 2004 of 1,117.4 million shares, these information are obtained from the annual report of Paul Y. - ITC for the year ended 31 March 2004); a premium of 15.1% to the five day average of HK\$0.912; a discount of approximately 6.3% to the closing price of HK\$1.12 per share in Paul Y. - ITC as quoted on The Stock Exchange of Hong Kong Limited ("Stock Exchange") on 15 October 2004; and a premium of approximately 23.7% to the average closing price of HK\$0.849 per share in Paul Y. - ITC as quoted on the Stock Exchange for the last 10 trading days up to and including 15 October 2004.

Financial effect of the disposal on the ITC

The disposal of the shares in Paul Y. - ITC will raise approximately HK\$80.9 million in cash, before expenses and tax, for ITC. As at the date of this announcement, there is no specific use for the proceeds other than to be used for general working capital. The disposal will result in an estimated loss of approximately HK\$32.5 million, before expenses and tax, which will be recorded in the consolidated financial statements of ITC for the year ending 31 March 2005.

Given the consolidated total asset size of Paul Y. - ITC and ITC of approximately HK\$4,862.3 million and approximately HK\$4,982.5 million respectively and the consolidated net asset value of Paul Y. - ITC and ITC of approximately HK\$2,770.9 million and approximately HK\$1,353.2 million respectively as at 31 March 2004 (based on their annual reports for the financial year ended 31 March 2004), following the disposal, the investment in Paul Y. - ITC will continue to represent a substantial portion of the total assets of ITC. It is anticipated that ITC will continue to benefit from that investment by equity accounting its results as an associated company and sharing of any dividends that it may declare.

As at the date of this announcement, the remaining 57.5 million shares in Paul Y. - ITC under the mandate granted by the shareholders of ITC may or may not be disposed in near future. Further announcement and circular will be made if ITC proceeds with such disposal, as and when appropriate.

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 and Paul Y. - ITC, trading in the securities in ITC and Paul Y. - ITC on the Stock Exchange was suspended at 9:30 a.m. on 18 October 2004 pending the release of this joint announcement. Applications have been made to the Stock Exchange to resume trading in the securities in ITC and Paul Y. - ITC with effect from 9:30 a.m. on 20 October 2004.

As at the date of this announcement, the board of directors of ITC comprises nine directors, of which six are executive directors, namely Dr. Chan Kwok Keung, Charles, Mr. Lau Ko Yuen, Tom, 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.

As at the date of this announcement, the board of directors of Paul Y. - ITC comprises twelve directors, of which eight are executive directors, namely Dr. Chan Kwok Keung, Charles, Mr. Lau Ko Yuen, Tom, Mr. Chan Fut Yan, Mr. Wong Wing Hoo, Billy, Ms. Chau Mei Wah, Rosanna, Mr. Cheung Hon Kit, Mr. Law Man Wah, Conrad and Mr. Lee Hon Chiu; one is non-executive director, namely Mr. Cheung Ting Kau, Vincent; and three are independent non-executive directors, namely Mr. Kwok Shiu Keung, Ernest, Mr. Chan Shu Kin and Dr. Chow Ming Kuen, Joseph.

By Order of the board of directors of
ITC Corporation Limited
Law Hon Wa, William
Company Secretary

By Order of the board of directors of
Paul Y. - ITC Construction Holdings Limited
Mui Ching Hung, Joanna
Company Secretary

Hong Kong, 19 October 2004

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