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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your securities in **ITC Properties Group Limited**, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.



德祥地產集團有限公司\*

**ITC PROPERTIES GROUP LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code : 199)**

**MAJOR AND CONNECTED TRANSACTION INVOLVING  
THE ACQUISITION OF THE ENTIRE INTEREST  
IN THE TOP PRECISE GROUP**

**Independent Financial Adviser to the  
ITCP IBC and the Independent ITCP Shareholders**



Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this circular.

A notice convening the ITCP SGM to be held at Shop B27, Basement, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong on Friday, 11th November, 2011 at 11:00 a.m. is set out on pages SGM-1 to SGM-3 of this circular. A form of proxy for use at the ITCP SGM is also enclosed.

Whether or not you are able to attend the ITCP SGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar and transfer office of ITCP in Hong Kong, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the ITCP SGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting at the ITCP SGM or any adjournment thereof if you so wish.

\* For identification purpose only

Hong Kong, 26th October, 2011

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## DEFINITIONS

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

“Agreement”	the conditional agreement dated 9th September, 2011 entered into between the Vendor and the Purchaser in relation to the sale and purchase of the Sale Share and the Sale Loan
“applicable percentage ratios”	has the same meaning ascribed thereto in the Listing Rules
“associates”	has the same meaning ascribed thereto in the Listing Rules
“BEA”	The Bank of East Asia, Limited
“BEA Facility”	the credit facilities of not exceeding HK\$215.0 million provided by BEA as lender to Great Intelligence as borrower with ITC as guarantor pursuant to the facility letters dated 24th December, 2004 and 17th May, 2011 respectively
“BEA Guarantee”	the guarantee given by ITC in favour of BEA in respect of the indebtedness owing to BEA under the BEA Facility
“BEA Loan”	the total outstanding amount owing under the BEA Facility as at Completion
“Business Day(s)”	any day (excluding Saturday, Sunday, public holidays in Hong Kong and any day on which a tropical cyclone warning no. 8 or above or a “black” rainstorm warning signal is hoisted or remains hoisted in Hong Kong at any time between 9:00 a.m. and 12:00 noon and is not lowered or discontinued at or before 12:00 noon) on which licensed banks are generally open for business in Hong Kong
“BVI”	the British Virgin Islands
“Car Parking Spaces 1”	the three (3) car parking spaces numbered 4087, 4088 and 4089 respectively located on the 4th Floor of Bank of America Tower, 12 Harcourt Road, Central, Hong Kong

## DEFINITIONS

“Car Parking Space 2”	the car parking space numbered 4043 located on the 4th Floor of Bank of America Tower, 12 Harcourt Road, Central, Hong Kong
“Car Parking Spaces”	collectively, the Car Parking Spaces 1 and the Car Parking Space 2
“Completion”	completion of the Transaction in accordance with the terms and conditions of the Agreement
“Completion Accounts”	the unaudited consolidated income statement of the Top Precise Group for the period from 1st April, 2011 to the Completion Date and the unaudited consolidated statement of financial position of the Top Precise Group as at the Completion Date to be prepared in accordance with the Hong Kong Financial Reporting Standards
“Completion Date”	the date on which Completion takes place
“connected person(s)”	has the same meaning ascribed thereto under the Listing Rules
“Consideration”	the aggregate consideration for the Sale Share and the Sale Loan pursuant to the terms and conditions of the Agreement
“Enlarged ITCP Group”	the ITCP Group immediately after Completion
“First Shanghai”	First Shanghai Capital Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO, who has been appointed as the independent financial adviser to the ITCP IBC and the Independent ITCP Shareholders in respect of the Transaction
“Great Intelligence”	Great Intelligence Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Top Precise
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC

## DEFINITIONS

“Independent ITCP Shareholders”	ITCP Shareholders other than those who have a material interest in and are required under the Listing Rules to abstain from voting on the ordinary resolution to approve the Transaction
“ITC”	ITC Corporation Limited, a company incorporated in Bermuda with limited liability and the issued shares (Stock Code : 372) of which are listed on the Main Board of the Stock Exchange
“ITC Group”	ITC and its subsidiaries
“ITC SGM”	the special general meeting of ITC to be convened and held for the ITC Shareholders to consider and, if thought fit, approve the Transaction
“ITC Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of ITC
“ITC Shareholder(s)”	holder(s) of ITC Share(s)
“ITCP”	ITC Properties Group Limited, a company incorporated in Bermuda with limited liability and the issued shares (Stock Code : 199) of which are listed on the Main Board of the Stock Exchange
“ITCP Board”	the board of ITCP Directors
“ITCP Directors”	the directors of ITCP
“ITCP Group”	ITCP and its subsidiaries
“ITCP IBC”	an independent committee of the ITCP Board, comprising Mr. Wong Chi Keung, Alvin and Mr. Kwok Ka Lap, Alva, both being independent non-executive ITCP Directors, which has been established to give recommendation to the Independent ITCP Shareholders on the Transaction
“ITCP SGM”	the special general meeting of ITCP to be convened and held for the Independent ITCP Shareholders to consider and, if thought fit, approve the Agreement and the transactions contemplated thereunder by the Purchaser and ITCP

## DEFINITIONS

“ITCP Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of ITCP
“ITCP Shareholder(s)”	holder(s) of ITCP Share(s)
“Latest Practicable Date”	24th October, 2011, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Leased Premises”	portion of the Premises, with a total rental area of approximately 3,450 sq. ft. and two (2) of the Car Parking Spaces numbered 4088 and 4089 respectively
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	9th January, 2012 or such other date as the Vendor and the Purchaser may agree in writing
“Macau”	the Macau Special Administrative Region of the PRC
“Note”	the loan note in the principal amount of HK\$100.0 million to be issued by the Purchaser to the Vendor or its nominee in partial settlement of the Consideration upon Completion
“NTAV”	the aggregate amount of the assets of the Top Precise Group (on a consolidated basis) which is readily convertible into cash or cash equivalent (but excluding the Property and deferred tax assets, which amount is capped at HK\$1.0 million) less the aggregate amount of all liabilities (actual, contingent or otherwise but excluding the Sale Loan and deferred tax liabilities) and provisions of the Top Precise Group
“PRC”	the People’s Republic of China, and for the purpose of this circular, excluding Hong Kong, Macau and Taiwan
“Premises”	the whole of 30th Floor at Bank of America Tower, 12 Harcourt Road, Central, Hong Kong, with a total floor area of approximately 13,880 sq. ft.
“Property”	collectively, the Premises and the Car Parking Spaces

## DEFINITIONS

“Purchaser”	ITC Properties (Hong Kong) Limited, a company incorporated in the BVI and an indirect wholly-owned subsidiary of ITCP
“Rent and Other Charges”	all charges receivable by Great Intelligence including rent, management fee and air-conditioning charges, rates and Government Rent under the Tenancy Agreement
“Sale Loan”	the entire amount of the shareholder’s loan owing by Top Precise to the Vendor as at the Completion Date
“Sale Share”	the one (1) share of US\$1 in the capital of Top Precise, representing the entire issued share capital of Top Precise as at the date of the Agreement and as at the Completion Date
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tenancy”	the tenancy in respect of the Leased Premises under the terms of the Tenancy Agreement
“Tenancy Agreement”	the tenancy agreement to be entered into between Great Intelligence as landlord and ITC Management Limited, a wholly-owned subsidiary of ITC, as tenant in respect of the leasing of the Leased Premises upon Completion
“Top Precise”	Top Precise Investments Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Vendor prior to Completion
“Top Precise Group”	Top Precise and Great Intelligence
“Transaction”	the sale and purchase of the Sale Share and the Sale Loan pursuant to the terms and conditions of the Agreement
“Vendor”	Hero’s Way Resources Ltd., a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of ITC

## DEFINITIONS

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	percentage
“sq. ft.”	square feet



LETTER FROM THE ITCP BOARD



德祥地產集團有限公司\*

**ITC PROPERTIES GROUP LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code : 199)**

*Executive ITCP Directors:*

Mr. Cheung Hon Kit (*Chairman*)  
Mr. Chan Fut Yan (*Managing Director*)  
Mr. Cheung Chi Kit  
Mr. Chan Yiu Lun, Alan

*Registered office:*

Clarendon House  
Church Street  
Hamilton HM 11  
Bermuda

*Non-executive ITCP Director:*

Mr. Ma Chi Kong, Karl

*Principal place of business  
in Hong Kong:*

Unit 3102, 31st Floor  
Bank of America Tower  
12 Harcourt Road  
Central  
Hong Kong

*Independent non-executive ITCP Directors:*

Hon. Shek Lai Him, Abraham, SBS, JP (*Vice Chairman*)  
Mr. Wong Chi Keung, Alvin  
Mr. Kwok Ka Lap, Alva

26th October, 2011

*To the Independent ITCP Shareholders and, for information only,  
holders of the convertible notes issued by ITCP*

Dear Sir or Madam,

**MAJOR AND CONNECTED TRANSACTION INVOLVING  
THE ACQUISITION OF THE ENTIRE INTEREST  
IN THE TOP PRECISE GROUP**

**INTRODUCTION**

On 9th September, 2011, the ITCP Board announced that the Vendor and the Purchaser entered into the Agreement, whereby the Vendor conditionally agreed to sell and the Purchaser conditionally agreed to purchase the Sale Share and the Sale Loan for an aggregate consideration of HK\$313.0 million plus the NTAV as at the Completion Date (subject to adjustments). The Sale Share represents the entire issued share capital of Top Precise, which in turn owns the entire issued share capital of Great Intelligence, being the owner of the Property. The Sale Loan represents the entire amount of the shareholder's loan owing by Top Precise to the Vendor as at the Completion Date.

\* For identification purpose only

## LETTER FROM THE ITCP BOARD

The Transaction constitutes a major transaction for ITCP under Chapter 14 of the Listing Rules. By virtue of the fact that the Vendor is a wholly-owned subsidiary of ITC, which is a substantial shareholder of ITCP indirectly holding 139,583,474 ITCP Shares, representing approximately 24.7% of the total issued ITCP Shares as at the date of the Agreement, and therefore a connected person of ITCP, the Transaction constitutes a connected transaction for ITCP under Chapter 14A of the Listing Rules. The Transaction will be subject to the approval of the Independent ITCP Shareholders by way of poll at the ITCP SGM. The ITCP IBC, comprising Mr. Wong Chi Keung, Alvin and Mr. Kwok Ka Lap, Alva (both independent non-executive ITCP Directors), has been constituted to give a recommendation to the Independent ITCP Shareholders regarding the Transaction and First Shanghai has been appointed as the independent financial adviser to the ITCP IBC and the Independent ITCP Shareholders in this regard.

The purpose of this circular is to provide you with, among other things, (i) details of the Agreement; (ii) the letter of recommendation from the ITCP IBC to the Independent ITCP Shareholders on the Transaction; (iii) the letter of advice from First Shanghai to the ITCP IBC and the Independent ITCP Shareholders in relation to the Transaction; (iv) the financial information of the ITCP Group; (v) the financial information of the Top Precise Group; (vi) the unaudited pro forma financial information of the Enlarged ITCP Group; (vii) the valuation report of the Property; (viii) the notice of the ITCP SGM together with the proxy form; and (ix) other information as required under the Listing Rules.

### THE AGREEMENT

**(1) Date:**

9th September, 2011

**(2) Parties:**

Purchaser: ITC Properties (Hong Kong) Limited, an indirect wholly-owned subsidiary of ITCP whose principal activity is investment holding; and

Vendor: Hero's Way Resources Ltd., a wholly-owned subsidiary of ITC whose principal activity is investment holding.

ITC indirectly holds 139,583,474 ITCP Shares, representing approximately 24.7% of the total issued ITCP Shares, as at the date of the Agreement and the Vendor is therefore a connected person of ITCP.

**(3) Assets to be acquired:**

The assets to be acquired by the Purchaser comprise the Sale Share and the Sale Loan. The Sale Share represents the entire issued share capital of Top Precise. The Sale Loan represents the entire amount of the shareholder's loan owing by Top Precise to the Vendor as at the Completion Date.

The Sale Loan amounted to approximately HK\$0.3 million as at 30th June, 2011.

## LETTER FROM THE ITCP BOARD

### (4) Consideration and payment terms:

The Consideration for the Sale Share and the Sale Loan is HK\$313.0 million plus the NTAV as at the Completion Date (subject to adjustments), which shall not exceed HK\$314.0 million pursuant to the Agreement. The Consideration is apportioned as follows:

- the portion of the Consideration attributable to the Sale Loan shall be equal to the face value of the Sale Loan; and
- the remaining balance of the Consideration shall be attributable to the Sale Share.

The Consideration has been/shall be paid by the Purchaser to the Vendor in the following manner:

- (i) a deposit of HK\$60.0 million (the “**Deposit**”) has been paid in cash on the signing of the Agreement;
- (ii) a sum of HK\$100.0 million shall be paid by way of the issue of the Note upon Completion; and
- (iii) the remaining balance of the Consideration shall be paid in cash upon Completion.

The Deposit has been settled by internal resources of the ITCP Group. It is intended that the payment of the cash portion of the balance of the Consideration payable on Completion will also be financed by internal resources of the ITCP Group.

Based on the negative NTAV of approximately HK\$116,849,000 as calculated from the aggregate of other debtors, deposits and prepayments of approximately HK\$129,000 and bank balances of approximately HK\$5,000, less creditors and accrued expenses of approximately HK\$676,000, bank overdraft and all bank borrowings of approximately HK\$116,307,000 as extracted from the audited consolidated accounts of the Top Precise Group as at 30th June, 2011 as shown in Appendix II to this circular, the Consideration will be approximately HK\$196.2 million.

#### *Adjustment to the Consideration*

Following Completion, the Purchaser shall have the right at its own costs and expenses to arrange for an audit of the Completion Accounts within two (2) months after the Completion Date. In the event that the NTAV as shown in the audited Completion Accounts is less than the NTAV as shown in the Completion Accounts, the Vendor shall repay to the Purchaser the amount of such difference in cash and, if the discrepancy is more than HK\$1.5 million, also reimburse the Purchaser the audit expenses incurred by the Purchaser within five (5) Business Days of production of the audited Completion Accounts. In the event that the NTAV as shown in the audited Completion Accounts is more than the NTAV as shown in the Completion Accounts, the Purchaser shall pay to the Vendor such difference in cash within five (5) Business Days of production of the audited Completion Accounts.

## LETTER FROM THE ITCP BOARD

The Consideration was determined after arm's length negotiations between the Vendor and the Purchaser with reference to, among other things, (i) the unaudited consolidated net assets of the Top Precise Group of approximately HK\$165.6 million as at 30th June, 2011 (due to adoption of amendments to accounting policies by the Top Precise Group in preparing the audited consolidated financial statements for the three months ended 30th June, 2011 as shown in Appendix II to this circular (details as set out in note 2 to the accountant's report of the Top Precise Group on page II-7), the audited consolidated net assets of the Top Precise Group as at 30th June, 2011 of approximately HK\$204.8 million is greater than the unaudited consolidated net assets by HK\$39.2 million, representing the reversal of deferred tax liabilities previously provided in the unaudited consolidated financial statements of the Top Precise Group as at 30th June, 2011. The ITCP Directors (excluding Mr. Chan Fut Yan, Mr. Chan Yiu Lun, Alan and Hon. Shek Lai Him, Abraham, *SBS, JP*) consider such adoption has no effect on the Consideration since deferred tax assets/liabilities are explicitly excluded from its calculation); (ii) the prevailing market value of properties similar to the Property in the same area; (iii) the valuation of the Property at HK\$322.0 million as at 30th June, 2011 conducted by an independent valuer; (iv) the Sale Loan of approximately HK\$0.3 million as at 30th June, 2011; and (v) the BEA Loan of approximately HK\$116.3 million as at 30th June, 2011.

### (5) Principal terms of the Note:

Issuer:	the Purchaser
Holder:	the Vendor or its nominee
Guarantor:	ITCP will guarantee the obligations of the Purchaser under the Note
Principal amount:	HK\$100.0 million
Interest:	1% per annum over the prime rate for Hong Kong dollars loan from time to time quoted by The Hongkong and Shanghai Banking Corporation Limited, payable semi-annually in arrears
Maturity:	two (2) years after the date of issue of the Note, i.e. the Completion Date, or such later date as may be agreed in writing between the issuer and the holder of the Note

### (6) Conditions precedent:

Completion is conditional upon the following conditions being fulfilled or waived (as applicable) by the Purchaser:

- (i) the Purchaser being reasonably satisfied with the results of the due diligence review on the business, financial, legal and taxation aspects of the Top Precise Group;

## LETTER FROM THE ITCP BOARD

- (ii) the Vendor having proved that Great Intelligence has good title to the Property subject to the existing tenancy and security created by Great Intelligence in respect of the Premises and the Car Parking Spaces 1 as security for the grant of the BEA Facility;
- (iii) the approval by the Independent ITCP Shareholders of the entering into of the Agreement and the performance of the transactions contemplated thereunder at the ITCP SGM in compliance with the requirements of the Listing Rules;
- (iv) the approval by the ITC Shareholders (other than those who are required to abstain from voting under the Listing Rules) of the Transaction at the ITC SGM in compliance with the requirements of the Listing Rules;
- (v) all necessary consents and approvals (or waivers) having been obtained by the Vendor and the Purchaser for completion of the Transaction (other than the consent of BEA);
- (vi) the written consent of BEA having been obtained for the release of the BEA Guarantee on Completion; and
- (vii) the representations and warranties given by the Vendor to the Purchaser in the Agreement being true and accurate in all material respects and not misleading.

The Purchaser may at its absolute discretion at any time waive conditions (i), (ii), (vi) and (vii) above by notice in writing to the Vendor. As the waiver of condition (ii) is at the absolute discretion of the Purchaser and it will only waive such condition if it is in the interest of the Purchaser, the ITCP Directors (excluding Mr. Chan Fut Yan, Mr. Chan Yiu Lun, Alan and Hon. Shek Lai Him, Abraham, *SBS, JP*) are of the view that the waivability of condition (ii) is fair and reasonable. The Purchaser has no current intention to waive such condition. Neither the Vendor nor the Purchaser may waive conditions (iii), (iv) and (v) above. If any of the above conditions has not been fulfilled or waived (as the case may be) on or before the Long Stop Date, either the Vendor or the Purchaser shall be entitled to rescind the Agreement by giving notice to the other whereupon the Vendor shall refund the Deposit (without interest) to the Purchaser and the provisions of the Agreement shall have no further force and effect (save for any antecedent breach in respect thereof).

As at the Latest Practicable Date, none of the above conditions has been fulfilled or waived.

### **(7) Undertaking by the Purchaser:**

The Purchaser undertakes to the Vendor to use its reasonable endeavours to procure the BEA Guarantee be released and discharged and the facility letters in relation to the BEA Loan to be amended, varied or cancelled to release ITC from all further obligations and liabilities, with effect from Completion. In the event that the BEA Guarantee is not released and discharged by Completion, the Purchaser shall repay the BEA Loan forthwith after Completion. Should such repayment be required, it is also expected that the same will be financed by internal resources of the ITCP Group.

**LETTER FROM THE ITCP BOARD**

**(8) Completion:**

Completion shall take place on the third (3rd) Business Day after fulfillment or waiver (as the case may be) of the last of the conditions precedent set out above, or such other date as the parties to the Agreement may agree in writing.

If, after fulfillment or waiver (as the case may be) of all the conditions precedent, Completion does not take place due to the default of the Purchaser, the Vendor shall be entitled to forfeit the Deposit (with all interest accrued thereon) but without prejudice to the rights and remedies which the Vendor may have in respect of such breach. If the defaulting party is the Vendor, the Vendor shall refund to the Purchaser the Deposit (without interest) within five (5) Business Days without prejudice to the rights and remedies which the Purchaser may have in respect of such breach.

Upon Completion, Top Precise and Great Intelligence will become indirect wholly-owned subsidiaries of ITCP and their financial results and position will be consolidated into the ITCP Group's financial statements.

**(9) Other Terms:**

On Completion, Great Intelligence as landlord will enter into the Tenancy Agreement with ITC Management Limited (the "**Tenant**"), a wholly-owned subsidiary of ITC, as tenant in respect of the leasing of the Leased Premises. The principal terms of the Tenancy Agreement are set out below.

Landlord:	Great Intelligence which, as at the date of this circular, is engaged in property investment
Tenant:	ITC Management Limited, a wholly-owned subsidiary of ITC, which is engaged in the provision of management and financial services and treasury investment
Leased Premises:	Portion of the premises at 30th Floor, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong with a total rental area of approximately 3,450 sq. ft. and two (2) of the Car Parking Spaces numbered 4088 and 4089 respectively
Term:	Three (3) years from the Completion Date
	Either Great Intelligence or the Tenant shall have the right to terminate the Tenancy Agreement by giving one month's prior written notice after the expiration of first two (2) years of the term of the Tenancy Agreement

## LETTER FROM THE ITCP BOARD

- Rent and Other Charges: (i) Rental in a fixed amount of HK\$209,300 per month; and (ii) management fee and air-conditioning charges of HK\$15,870 (subject to adjustments) per month. The Tenant shall also reimburse Great Intelligence for the rates and Government Rent apportioned to the Leased Premises which are estimated to be approximately HK\$7,263 per month. The Rent and Other Charges were determined by reference to the market rates after arm's length negotiation between the parties
- Deposit: HK\$450,340, representing two (2) months' rental plus management fee and air-conditioning charges

The aggregate maximum amount of the Rent and Other Charges receivable by the ITCP Group after Completion under the Tenancy Agreement for each year of the Tenancy will not exceed HK\$3.0 million.

As the aggregate maximum amount of the Rent and Other Charges receivable under the Tenancy Agreement on an annual basis exceeds HK\$1.0 million but each of the applicable percentage ratios (other than the profits ratio) in relation thereto is less than 5%, the Tenancy Agreement and the transactions contemplated thereunder are exempt from the independent shareholders' approval requirement.

### INFORMATION ON THE TOP PRECISE GROUP

Top Precise is an investment holding company, the principal asset of which is the entire equity interest in Great Intelligence. Great Intelligence is the owner of the Property. Portion of the Premises with a total rental area of approximately 4,200 sq. ft. is currently leased to a wholly-owned subsidiary of ITCP at a monthly rental of HK\$243,600, details of which have been disclosed in the announcement of ITCP dated 28th April, 2011. This tenancy will be terminated on or prior to Completion. The remaining part of the Premises is currently occupied by the ITC Group for office use.

The Property is valued by RHL Appraisal Limited, an independent valuer, at HK\$322.0 million as at 31st July, 2011 on its existing state and condition and free from all encumbrances basis. Details of the valuation on the Property are set out in Appendix IV to this circular.

## LETTER FROM THE ITCP BOARD

Set out below is the audited consolidated financial information of the Top Precise Group as at 30th June, 2011 and for the two years ended 31st March, 2011 and 31st March, 2010 respectively as extracted from the accountant's report on the Top Precise Group set out in Appendix II to this circular which is prepared in accordance with the Hong Kong Financial Reporting Standards:

	<b>Three months ended 30th June, 2011 HK\$'000</b>	<b>For the year ended 31st March, 2011 HK\$'000</b>	<b>2010 HK\$'000</b>
Turnover	1,544	6,174	6,174
Profit before and after taxation	6,083	46,921	110,512
			<b>As at 30th June, 2011 HK\$'000</b>
Total assets			322,134
Net assets			204,838

### REASONS FOR THE TRANSACTION

ITCP is an investment holding company and its subsidiaries are principally engaged in property development and investment in Macau, the PRC and Hong Kong. The ITCP Group is also engaged in golf resort and leisure operations in the PRC, securities investment and the provision of loan financing services.

As most of the investment projects of the ITCP Group are progressing into the development stage, more staff is employed to cope with the increased workload. As a result, additional office space is also required by the ITCP Group to accommodate its expansion. Central is a unique and well-known business and financial district with influx of demand for office space from businesses all over the world. As ITC has intention to dispose of the Property but to lease back a small portion thereof for its office use, the ITCP Board considers that the Transaction provides a good opportunity for the ITCP Group to increase its property portfolio while at the same time meeting its own office requirement. The Tenancy will also generate rental revenue to the ITCP Group in future. The ITCP Board considers that the terms and conditions of the Agreement are fair and reasonable and the Transaction is in the interests of ITCP and the ITCP Shareholders as a whole. The ITCP Board (excluding Mr. Chan Fut Yan, Mr. Chan Yiu Lun, Alan and Hon. Shek Lai Him, Abraham, *SBS, JP* who abstained as they are also directors of ITC) also considers that the terms and conditions of the Tenancy Agreement are fair and reasonable and the Tenancy is in the interests of ITCP and the ITCP Shareholders as a whole.



## LETTER FROM THE ITCP BOARD

### FINANCIAL EFFECTS OF THE TRANSACTION

Upon Completion, Top Precise and Great Intelligence will become indirect wholly-owned subsidiaries of the ITCP Group. Their results, assets and liabilities will be consolidated into the accounts of the Enlarged ITCP Group.

Set out in Appendix III to this circular is the unaudited pro forma financial information of the Enlarged ITCP Group which illustrates the financial effects of the Transaction on the assets and liabilities of the Enlarged ITCP Group assuming Completion had taken place on 31st March, 2011.

Based on the unaudited pro forma financial information of the Enlarged ITCP Group in Appendix III to this circular, the unaudited pro forma combined total assets and total liabilities of the Enlarged ITCP Group were approximately HK\$4,779.5 million and HK\$2,396.6 million respectively, whilst the unaudited pro forma net asset value of the Enlarged ITCP Group was approximately HK\$2,376.3 million (after deducting non-controlling interests of approximately HK\$6.6 million). Assuming the Transaction had been completed on 31st March, 2011, the gearing ratio of the Enlarged ITCP Group, calculated by dividing the aggregate sum of bank overdraft of approximately HK\$18.8 million, bank borrowings of HK\$497.5 million, the Note of HK\$100.0 million and the fair value of the liability component of convertible note payables of approximately HK\$987.6 million and offsetting with the bank balances and cash of approximately HK\$198.6 million, by the shareholders' funds of the Enlarged ITCP Group of approximately HK\$2,376.3 million, was 0.59.

Based on the accountant's report on the Top Precise Group set out in Appendix II to this circular, the rental revenue and operating profit of the Top Precise Group for the three months ended 30th June, 2011 were approximately HK\$1.5 million and HK\$6.1 million respectively. Annual rental income of approximately HK\$2.7 million will be generated from the Tenancy Agreement, and on the other hand, the ITCP Group's original rental and utility expenses of approximately HK\$3.2 million payable to Great Intelligence annually will be saved upon termination of the original tenancy agreement. The ITCP Directors (excluding Mr. Chan Fut Yan, Mr. Chan Yiu Lun, Alan and Hon. Shek Lai Him, Abraham, SBS, JP) are of the view that after Completion, the Top Precise Group will contribute to the revenue and earnings base of the Enlarged ITCP Group.

### FINANCIAL AND TRADING PROSPECTS OF THE ITCP GROUP

Upon Completion, the Enlarged ITCP Group will continue to be engaged in the business of property development and investment in Macau, the PRC and Hong Kong, golf resort and leisure operations in the PRC, securities investment and the provision of loan financing services. Though the global economy remains vulnerable, economic momentum in the PRC remains robust as continued growth in domestic consumption, completion of existing fixed investment projects and ongoing urbanisation continue to fuel the growth and demand and growth potential of the leisure and resort market in the PRC. With its expertise in Hong Kong and the PRC, the Enlarged ITCP Group shall continue to focus on developing high-end leisure, resort and residential properties in the PRC.

## LETTER FROM THE ITCP BOARD

Macau is one of the fastest growing economies in the region with 26.2% growth in gross domestic product for the year of 2010 driven by the resilient gaming sector. The ITCP Group, through its 35.5% interest in a residential property development, namely "One Oasis" in Cotai South, Macau, plans to capture the opportunity brought along by the expected increase in household income and intensified demand for quality homes by launching the presale of remaining phases of One Oasis in appropriate time.

The Enlarged ITCP Group expects that its re-development projects in Hong Kong including the residential and service apartment project in Causeway Bay, Hong Kong as well as a project involving high-end (diamond, gold, jewelry, watches and luxury goods) retail complex on Nathan Road, Kowloon shall contribute an encouraging return after their completion.

Barring unforeseen circumstances, the Enlarged ITCP Group is confident in capturing future gains from its investment portfolio.

### LISTING RULES IMPLICATIONS

The Transaction constitutes a major transaction for ITCP under Chapter 14 of the Listing Rules. By virtue of the fact that the Vendor is a wholly-owned subsidiary of ITC, which is a substantial shareholder of ITCP indirectly holding 139,583,474 ITCP Shares, representing approximately 24.7% of the total issued ITCP Shares as at the date of the Agreement, and therefore a connected person of ITCP, the Transaction constitutes a connected transaction for ITCP under Chapter 14A of the Listing Rules. The Transaction will be subject to the approval by the Independent ITCP Shareholders by way of poll at the ITCP SGM. As at the Latest Practicable Date, (i) ITC and its associates holding 139,583,474 ITCP Shares, representing approximately 24.7% of the entire issued share capital of ITCP; (ii) Dr. Chan Kwok Keung, Charles holding 6,066,400 ITCP Shares, representing approximately 1.07% of the entire issued share capital of ITCP; and (iii) Ms. Chau Mei Wah, Rosanna holding 3,200,000 ITCP Shares, representing approximately 0.5% of the entire issued share capital of ITCP, will abstain from voting on the proposed ordinary resolution to approve the Agreement and the transactions contemplated thereunder at the ITCP SGM.

Since Mr. Chan Fut Yan, Mr. Chan Yiu Lun, Alan and Hon. Shek Lai Him, Abraham, SBS, JP are directors of both ITC and ITCP, they have abstained from voting on the resolution at the ITCP Board meeting approving the Agreement and the transactions contemplated thereunder.

## LETTER FROM THE ITCP BOARD

### ITCP SGM

The ITCP SGM, the notice of which is set out on pages SGM-1 to SGM-3 of this circular, will be held at Shop B27, Basement, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong on Friday, 11th November, 2011 at 11:00 a.m. to consider and, if thought fit, approve the Agreement and the transactions contemplated thereunder. The voting on the proposed ordinary resolution at the ITCP SGM will be taken by way of poll.

Whether or not you are able to attend the ITCP SGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar and transfer office of ITCP in Hong Kong, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the ITCP SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the ITCP SGM or any adjournment thereof should you so wish.

### RECOMMENDATION

The ITCP IBC, comprising Mr. Wong Chi Keung, Alvin and Mr. Kwok Ka Lap, Alva (both independent non-executive ITCP Directors), has been constituted to give a recommendation to the Independent ITCP Shareholders regarding the Transaction and First Shanghai has been appointed as the independent financial adviser to the ITCP IBC and the Independent ITCP Shareholders in this regard.

The ITCP IBC, having considered the advice of First Shanghai, considers that the Transaction is conducted in the ordinary and usual course of business of the ITCP Group and the terms of the Agreement are on normal commercial terms and fair and reasonable as far as the Independent ITCP Shareholders are concerned, and the entering into of the Agreement is in the interests of the ITCP Group and the ITCP Shareholders as a whole. Accordingly, the ITCP IBC recommends the Independent ITCP Shareholders to vote in favour of the ordinary resolution to be proposed at the ITCP SGM to approve the Agreement and the transactions contemplated thereunder.

### GENERAL INFORMATION

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

Yours faithfully,  
For and on behalf of  
**ITC Properties Group Limited**  
**Cheung Hon Kit**  
*Chairman*



## LETTER OF ADVICE FROM FIRST SHANGHAI

*The following is the full text of the letter of advice to the ITCP IBC and the Independent ITCP Shareholders from First Shanghai dated 26th October, 2011 setting out their opinion regarding the proposed acquisition of the Sale Share and the Sale Loan pursuant to the Agreement for the purpose of inclusion in this circular.*

### FIRST SHANGHAI CAPITAL LIMITED

19th Floor  
Wing On House  
71 Des Voeux Road Central  
Hong Kong

26th October, 2011

*To the ITCP IBC and  
the Independent ITCP Shareholders*

ITC Properties Group Limited  
Unit 3102, 31/F  
Bank of America Tower  
12 Harcourt Road  
Central  
Hong Kong

Dear Sirs,

### MAJOR AND CONNECTED TRANSACTION INVOLVING THE ACQUISITION OF THE ENTIRE INTEREST IN THE TOP PRECISE GROUP

#### INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the ITCP IBC and the Independent ITCP Shareholders in respect of the proposed acquisition of the Sale Share and the Sale Loan pursuant to the Agreement, details of which are set out in a circular dated 26th October, 2011 (the “Circular”) to the ITCP Shareholders, of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

On 9th September, 2011, the ITCP Board announced that the Vendor and the Purchaser entered into the Agreement, whereby the Vendor conditionally agreed to sell and the Purchaser conditionally agreed to purchase the Sale Share and the Sale Loan for an aggregate consideration of HK\$313.0 million plus the NTAV at Completion (subject to adjustments). The Sale Share represents the entire issued share capital of Top Precise, which in turn owns the entire issued share capital of Great Intelligence, being the owner of the Property. The Sale Loan represents the entire amount of the shareholder’s loan owing by Top Precise to the Vendor as at the Completion Date.

Pursuant to the terms of the Agreement, upon Completion, Great Intelligence as landlord and ITC Management Limited, a wholly-owned subsidiary of ITC, as tenant will enter into the Tenancy Agreement in respect of the leasing of the Leased Premises.

## LETTER OF ADVICE FROM FIRST SHANGHAI

The Transaction constitutes a major transaction for ITCP under Chapter 14 of the Listing Rules. By virtue of the fact that the Vendor is a wholly-owned subsidiary of ITC, which is in turn a substantial shareholder of ITCP indirectly holding 139,583,474 ITCP Shares, representing approximately 24.7% of the total issued ITCP Shares as at the date of the Agreement, and therefore a connected person of ITCP, the Transaction constitutes a connected transaction for ITCP under Chapter 14A of the Listing Rules. The Transaction will be subject to the approval of the Independent ITCP Shareholders by way of poll at the ITCP SGM.

### INDEPENDENT BOARD COMMITTEE

The ITCP IBC, comprising two out of the three independent non-executive ITCP Directors (excluding Hon. Shek Lai Him, Abraham, *SBS, JP*, by virtue of his being the independent non-executive director of both ITC and ITCP), has been established to consider the Agreement and the transactions contemplated thereunder and to advise the Independent ITCP Shareholders on the fairness and reasonableness in relation to the terms of the Transaction pursuant to the Agreement and the transactions contemplated thereunder.

As the independent financial adviser to the ITCP IBC and the Independent ITCP Shareholders, our role is to give an independent opinion to the ITCP IBC and the Independent ITCP Shareholders as to (i) whether the Transaction pursuant to the Agreement is conducted in the ordinary and usual course of business of the ITCP Group; (ii) whether the terms of the Agreement are on normal commercial terms; (iii) whether the entering into of the Agreement is in the interests of ITCP and the ITCP Shareholders as a whole; (iv) whether the terms of the Transaction pursuant to the Agreement are fair and reasonable so far as the Independent ITCP Shareholders are concerned; and (v) how the Independent ITCP Shareholders should vote in relation to the ordinary resolution to be proposed for approving the Agreement and the transactions contemplated respectively thereunder at the ITCP SGM.

### BASIS OF OUR ADVICE

In formulating our opinion, we have relied on the information, facts and representations contained or referred to in the Circular and the information, facts and representations provided by, and the opinions expressed by the ITCP Directors, ITCP and the management of the ITCP Group (the “**Management**”). We have assumed that all statements, information, facts, opinions and representations made or referred to in the Circular were true, accurate and complete at the time they were made and continued to be true, accurate and complete as at the date of the Circular.

We consider that we have (i) obtained all information and documents of the ITCP Group and the Top Precise Group relevant to an assessment of the fairness and reasonableness of the terms of the Transaction; (ii) researched the relevant market and other conditions and trends relevant to the pricing of the Transaction; (iii) reviewed the fairness, reasonableness and completeness of any assumptions or projections relevant to the Transaction; and (iv) reviewed the opinion and valuation relevant to the Transaction provided by the expert, namely RHL Appraisal Limited (being an independent property

## LETTER OF ADVICE FROM FIRST SHANGHAI

valuer (the “**Valuer**”), as at 31st July, 2011 of the Property (the “**Valuation**”), including reviewing the terms of engagement (having particular regard to the scope of work, whether the scope of work is appropriate to the opinion required to be given and any limitations on the scope of work which might adversely impact on the degree of assurance given by the expert’s report (the “**Valuation Report**”), opinion or statement). Based on the foregoing, we confirm that we have taken all reasonable steps, which are applicable to the Transaction, as referred to in Rule 13.80 of the Listing Rules (including the notes thereto).

We consider that we have reviewed sufficient information, including financial information of the Top Precise Group that is to be ultimately acquired by the ITCP Group, to reach an informed view and to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. We have no reason to doubt the truth, accuracy and completeness of the statements, information, facts, opinions and representations provided to us by the ITCP Directors, ITCP and the Management. The ITCP Directors have confirmed to us that no material facts have been omitted from the information supplied and opinions expressed and we have no reason to doubt that any relevant material facts have been withheld or omitted from the information provided and referred to in the Circular, or the reasonableness of the opinions and representations provided to us by the ITCP Group. All the ITCP Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that, to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and that there are no other facts not contained in the Circular the omission of which would make any statement in the Circular misleading. We have relied on such information and opinions and have not however, conducted any independent investigation into the business, financial conditions and affairs or the future prospects of the ITCP Group, the Top Precise Group and the Enlarged ITCP Group.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation in relation to the Transaction pursuant to the Agreement, we have considered the following principal factors and reasons:

#### 1. **Background of the ITCP Group**

ITCP is an investment holding company and its subsidiaries are principally engaged in property development and investment in Macau, the PRC and Hong Kong. The ITCP Group is also engaged in golf resort and leisure operations in the PRC, securities investment and the provision of loan financing services.

#### 2. **Reasons for and benefits of the Transaction**

As mentioned in the “Letter from the ITCP Board” in the Circular, since most of the investment projects of the ITCP Group are progressing into the development stage, more staff is employed to cope with the increased workload. As a result, additional office space is also required by the ITCP Group to accommodate its expansion. Central is a unique and well-known business and financial district with influx of demand for office space from businesses all over the world. As ITC has

## LETTER OF ADVICE FROM FIRST SHANGHAI

intention to dispose of the Property but to lease back a small portion thereof for its office use, the ITCP Board considers that the Transaction provides a good opportunity for the ITCP Group to increase its property portfolio while at the same time meeting its own office requirement. The Tenancy will also generate rental revenue to the ITCP Group in future. The ITCP Board considers that the terms and conditions of the Agreement are fair and reasonable and the Transaction is in the interests of ITCP and the ITCP Shareholders as a whole.

The ITCP Board (excluding Mr. Chan Fut Yan, Mr. Chan Yiu Lun, Alan and Hon. Shek Lai Him, Abraham, *SBS, JP*) also considers that the terms and conditions of the Tenancy Agreement are fair and reasonable and the Tenancy is in the interests of ITCP and the ITCP Shareholders as a whole.

As extracted from the annual report of ITCP for the year ended 31st March, 2011 (the “**Annual Report**”), the ITCP Board was of the view that the global economy remains vulnerable given the lagging pace in the United States of America (the “**US**”) and recovery from the great financial crisis in European countries, it is anticipated that interest rates of the US dollars will remain at a low level; while the US Government will pursue easing economic policies as continual support of the assets prices, which might lead to an asset-price bubble, high inflation and rampant speculative activity as a consequence. On a backdrop of abundant liquidity, record-low interest rates, scarce new supply of residential and commercial properties coupled with robust growth of the retail businesses fueled by the PRC tourists, both residential and commercial property prices look to remain strong in the foreseeable future. Barring unforeseen circumstances, the ITCP Group is confident in capturing future gains from its investment portfolio.

In view of the above, we are of the view that the Transaction with an aim to increase the ITCP Group’s property portfolio while at the same time meeting its own office requirement is in line with the business development strategy of the ITCP Group, and therefore is conducted in the ordinary and usual course of business of the ITCP Group and is in the interests of the ITCP Group and the ITCP Shareholders as a whole.

### **3. Background of the Top Precise Group**

Top Precise is an investment holding company, the principal asset of which is the entire equity interest in Great Intelligence. Great Intelligence is the owner of the Property. Portion of the Premises with a total rental area of approximately 4,200 sq. ft. is currently leased to a wholly-owned subsidiary of ITCP at the rental of HK\$243,600 per month, details of which have been disclosed in the announcement of ITCP dated 28th April, 2011. This tenancy will be terminated on or prior to Completion. The remaining part of the Premises is currently occupied by the ITC Group for office use.

The Property is valued by the Valuer at HK\$322.0 million as at 31st July, 2011 on its existing state and condition and free from all encumbrances basis.



## LETTER OF ADVICE FROM FIRST SHANGHAI

Based on the audited consolidated financial information of the Top Precise Group prepared in accordance with the Hong Kong Financial Reporting Standards (the “HKFRS”) for each of the two years ended 31st March, 2010 and 2011 and the three months ended 30th June, 2011 as set out in the “Financial information of the Top Precise Group” in Appendix II to the Circular (the “**TPG Financial Information**”), the Top Precise Group had recorded (i) turnover of approximately HK\$6.2 million, HK\$6.2 million and HK\$1.5 million; and (ii) both profit before and after taxation of approximately HK\$110.5 million, HK\$46.9 million and HK\$6.1 million, during the respective year/period.

Based on the audited consolidated financial information of the Top Precise Group prepared in accordance with the HKFRS for the three months ended 30th June, 2011, the Top Precise Group had total assets and net assets of approximately HK\$322.1 million and HK\$204.8 million respectively.

Upon Completion, the Top Precise Group will cease to be the wholly-owned subsidiaries of ITC and will become the indirect wholly-owned subsidiaries of ITCP.

Based on the TPG Financial Information, the Top Precise Group has generated profit over the two years ended 31st March, 2010 and 2011 and the three months ended 30th June, 2011 mainly attributable to the gain on fair value change of the Property. However, by excluding such revaluation gain on the Property, the Top Precise Group would have recorded operating profit/(loss) of approximately HK\$(0.5) million, HK\$0.9 million and HK\$(2.9) million during that respective year/period, which could not demonstrate/maintain a proven stable and meaningful profitability thereof; while the occasional profitable operating performance for the one single year ended 31st March, 2011 was mainly due to the significant decrease in depreciation charges on the Property, plant and equipment by approximately HK\$1.2 million. On such basis, in our view, the historical profit track record shall not be indicative and referable for future operating performance for the Top Precise Group after Completion on the basis that the major portion of the Premises will be self-utilised by the ITCP Group for its own office use; while a small portion of which will be leased back to the ITC Group with annual rental income and related utility charges of approximately HK\$2.7 million as preliminarily fixed and agreed according to the Tenancy Agreement.

**4. Principal terms of the Agreement**

*Assets to be acquired*

On 9th September, 2011, the Purchaser (being ITC Properties (Hong Kong) Limited, an indirect wholly-owned subsidiary of ITCP) and the Vendor (being Hero's Way Resources Ltd., a wholly-owned subsidiary of ITC) entered into the Agreement, pursuant to which the Vendor agreed to dispose of and the Purchaser agreed to acquire the Sale Share and the Sale Loan.

The Sale Share represents the entire issued share capital of Top Precise.

The Sale Loan represents the entire amount of the shareholder's loan owing by Top Precise to the Vendor as at the Completion Date. The Sale Loan amounted to approximately HK\$0.3 million as at 30th June, 2011.

*Basis for determination of the Consideration*

The Consideration for the Sale Share and the Sale Loan is HK\$313.0 million plus the NTAV at Completion (subject to adjustments), which shall not exceed HK\$314.0 million pursuant to the Agreement. The Consideration is apportioned as follows:

- (i) the portion of the Consideration attributable to the Sale Loan shall be equal to the face value of the Sale Loan; and
- (ii) the remaining balance of the Consideration shall be attributable to the Sale Share.

The Consideration was determined after arm's length negotiations between the Vendor and the Purchaser with reference to, among other things, the following:

- (i) the unaudited consolidated net assets of the Top Precise Group of approximately HK\$165.6 million as at 30th June, 2011 (due to adoption of amendments to accounting policies by the Top Precise Group in preparing the audited consolidated financial statements for the three months ended 30th June, 2011 as shown in the TPG Financial Information (details of which are set out in note 2 thereto on page II-7 of the Circular), the audited consolidated net assets of the Top Precise Group as at 30th June, 2011 of approximately HK\$204.8 million is greater than the unaudited consolidated net assets by HK\$39.2 million, representing the reversal of deferred tax liabilities previously provided in the unaudited consolidated financial statements of the Top Precise Group as at 30th June, 2011. The ITCP Directors consider that such

## LETTER OF ADVICE FROM FIRST SHANGHAI

adoption has no effect on the Consideration since deferred tax assets/liabilities are explicitly excluded from its calculation;

- (ii) the prevailing market value of properties similar to the Property in the same area;
- (iii) the valuation of the Property at HK\$322.0 million as at 30th June, 2011 conducted by the Valuer;
- (iv) the Sale Loan of approximately HK\$0.3 million as at 30th June, 2011; and
- (v) the BEA Loan of approximately HK\$116.3 million as at 30th June, 2011.

The ITCP Board (excluding Mr. Chan Fut Yan, Mr. Chan Yiu Lun, Alan and Hon. Shek Lai Him, Abraham, *SBS, JP*) considers that the terms of the Agreement including the Consideration are fair and reasonable, and the Transaction is in the interests of ITCP and the ITCP Shareholders as a whole.

### *Adjustment to the Consideration*

Following Completion, the Purchaser shall have the right at its own costs and expenses to arrange for an audit of the Completion Accounts within two (2) months after the Completion Date. In the event that the NTAV as shown in the audited Completion Accounts is less than the NTAV as shown in the Completion Accounts, the Vendor shall repay to the Purchaser the amount of such difference in cash and, if the discrepancy is more than HK\$1.5 million, also reimburse the Purchaser the audit expenses incurred by the Purchaser within five (5) Business Days of production of the audited Completion Accounts. In the event that the NTAV as shown in the audited Completion Accounts is more than the NTAV as shown in the Completion Accounts, the Purchaser shall pay to the Vendor such difference in cash within five (5) Business Days of production of the audited Completion Accounts.

### *Payment of the Consideration*

The Consideration has been/shall be paid by the Purchaser to the Vendor in the following manner:

- (i) a deposit of HK\$60.0 million (the “**Deposit**”) has been paid in cash on the signing of the Agreement;
- (ii) a sum of HK\$100.0 million shall be paid by way of the issue of the Note upon Completion; and
- (iii) the remaining balance of the Consideration shall be paid in cash upon Completion.

## LETTER OF ADVICE FROM FIRST SHANGHAI

The Deposit has been settled by internal resources of the ITCP Group. It is intended that the payment of the cash portion of the balance of the Consideration payable on Completion will also be financed by internal resources of the ITCP Group.

Based on the negative NTAV of approximately HK\$116.8 million as calculated from the aggregate of (i) debtors, deposits and prepayments of approximately HK\$129,000 and (ii) bank balances of approximately HK\$5,000; less (iii) creditors and accrued expenses of approximately HK\$0.7 million, (iv) bank overdraft of approximately HK\$18.8 million and (v) all bank borrowings of approximately HK\$97.5 million as extracted from the audited consolidated accounts of the Top Precise Group as at 30th June, 2011 as shown in the TPG Financial Information, the Consideration will be approximately HK\$196.2 million.

### *Principal terms of the Note*

Being part of the Agreement, the Purchaser will issue to the Vendor (or its nominee) the Note with principal amount of HK\$100.0 million as partial settlement of the Consideration. The Note will be issued upon Completion with the principal terms of (i) an interest rate of 1.0% per annum over the prime rate for Hong Kong dollars loan from time to time quoted by The Hongkong and Shanghai Banking Corporation Limited, payable semi-annually in arrears; and (ii) an initial maturity date of two (2) years after the date of issue of the Note (i.e. the Completion Date), or such later date as may be agreed in writing between the issuer (i.e. the Purchaser) and the holder of the Note (i.e. the Vendor or its nominee).

ITCP will act as a guarantor to guarantee the obligations of the Purchaser under the Note.

### *Comparables*

In order to assess the fairness and reasonableness of the terms of the Note, we consider that it would be appropriate to look into, and compare with, the issue of senior notes/notes or similar instruments by mostly non-blue-chip property development/investment companies listed on the Stock Exchange (the “**Comparables**”), which are principally engaged in the similar nature of business activities to that of the ITCP Group and had obtained debt-financing from the market during the past 12 calendar months immediately preceding to the date of the announcement of ITCP on 9th September, 2011. Therefore, we have reviewed 14 recent cases of such companies with issuance of debt-financing instruments to the subscribers, which in our view, can form a fair and representative sample for reference by the Independent ITCP Shareholders for the general market practice of debt-financing in the properties related industry, on the basis that such Comparables shall represent an exhaustive list based on our selection and identification criteria even though their tenure, coupon interest rates and

## LETTER OF ADVICE FROM FIRST SHANGHAI

debt-raising size were mostly far over that of the Note, failing which, no other meaningful published information and analysis can be provided to them. A summary of the relevant findings is set out below:

Date of announcement	Company (Stock code)	Principal HK\$ million	Subscription price at issue %	Interest rate (per annum) %	Maturity Year
8/9/2011	Powerlong Real Estate Holdings Limited (1238)	1,000.0	99.45	13.80	2014
2/9/2011	Skyfame Realty (Holdings) Limited (59)	200.0	100.0	20.00	2013
4/8/2011	China Resources Land Limited (1109)	1,950.0	99.252	4.625	2016
20/5/2011	China Resources Land Limited (1109)	5,850.0	99.353	4.625	2016
11/4/2011	Franshion Properties (China) Limited (817)	3,900.0	100.0	6.75	2021
31/3/2011	Longfor Properties Company Limited (960)	5,850.0	100.0	9.50	2016
24/3/2011	KWG Property Holding Limited (1813)	2,730.0	100.0	12.75	2016
2/3/2011	Shimao Property Holdings Limited (813)	2,730.0	100.0	11.00	2018
17/2/2011	Country Garden Holdings Company Limited (2007)	7,020.0	99.405	11.125	2018
20/1/2011	Shui On Land Limited (272)	4,117.6	100.0	7.625	2015
14/1/2011	Evergrande Real Estate Group Limited (3333)	6,529.4	100.0	7.50	2014
14/1/2011	Evergrande Real Estate Group Limited (3333)	4,352.9	100.0	9.25	2016
9/12/2010	Yuzhou Properties Company Limited (1628)	1,560.0	98.244	13.50	2015
14/10/2010	Central China Real Estate Limited (832)	2,340.0	100.0	12.25	2015
	<b>Highest</b>	<b>7,020.0</b>	<b>100.0</b>	<b>20.0</b>	<b>2021</b>
	<b>Average</b>	<b>3,580.7</b>	<b>99.7</b>	<b>10.3</b>	<b>2016</b>
	<b>Lowest</b>	<b>200.0</b>	<b>98.244</b>	<b>4.625</b>	<b>2013</b>
9/9/2011	ITCP	100.0	100.0	6.0	2013

*Note:* For the purpose of illustration only, amounts denominated in US\$ and Renminbi (“RMB”) in the above table have been translated into HK\$ at the respective exchange rate of US\$1 = HK\$7.80 and RMB0.85 = HK\$1.

## LETTER OF ADVICE FROM FIRST SHANGHAI

As indicated in the above, (i) the interest rate of 6.0% per annum payable under the Note falls within the range of the Comparables between 4.625% and 20.0%, and is slightly higher than the lowest of 4.625% but below the average of approximately 10.3% thereof; and (ii) the issue price of the Note at the face value of 100.0% is the same as the 9 out of the 14 Comparables, and also the highest of the range of the Comparables ranging from 98.244% to 100.0%.

By excluding the four most extreme cases with (i) the shortest and longest tenure in 2013 and 2021; and (ii) the lowest and highest interest rates of 4.625% and 20.0% per annum respectively, from the Comparables, the average interest rate and year of maturity would be approximately 10.8% per annum and in 2016 respectively, which are higher and longer than that of the Note with the interest rate of 6.0% per annum and maturity in 2013. After such exclusion, we noted that the Comparables, on average and in general, with longer tenures have higher interest rates, which we consider mainly due to the greater potential uncertainty to be compensated. We further noted that the most extreme and exceptional case, namely Skyfame Realty (Holdings) Limited, with the shortest tenure in 2013 but the highest interest rate of 20.0%, in our view, are mainly due to its unsound operating performance with minimal revenue and net loss of approximately HK\$18.9 million and HK\$19.7 million respectively, based on its latest published interim report for the six months ended 30th June, 2011.

Independent ITCP Shareholders should note that the business prospects, profitability, funding cost and requirement, financial and cash flow positions, risk consideration with expected return of each of the relevant listed companies and/or independent market subscribers are not the same as, or directly comparable among each others of, the Comparables; because the terms and conditions in a debt-financing exercise may also vary on a case-by-case basis due to their individual situations and the arm's length negotiations between the borrower(s) and the lender(s) under the then prevailing market condition.

Based on our understanding, the prevailing prime lending rates offered by major banks in Hong Kong ranging from 5.0% to 5.25% per annum; while that offered by The Hongkong and Shanghai Banking Corporation Limited is 5.0% per annum. We have noted that the senior notes with the lowest interest rate of 4.625% per annum and aggregate principal amount of US\$1,000 million (i.e. equivalent to HK\$7,800 million) were issued by that listed company at discount offer prices of 99.252% and 99.353%, other than that, all other cases were issued at coupon interest rates over 6.0% per annum. To the best of our knowledge and belief, the funding cost of such market borrowers or lenders should, in general, be much higher than that of the major commercial banks in Hong Kong, on the grounds that commercial banks can obtain funding from the inter-bank lending market and/or their saving-account depositors at the lowest extent of merely 0.01% per annum based on their advantageous market positions in the banking sector, but this is not the case for the Vendor. In view

## LETTER OF ADVICE FROM FIRST SHANGHAI

of the current tightening credit environment as a consequence of the volatile financial markets all over the world, we consider that the interest rate commercially fixed and agreed under the Note, currently at 6.0% (i.e. the nominal 1.0% over the prime lending rate of 5.0% per annum) but without providing security (other than the above ITCP's guarantee) by the Purchaser to the Vendor (i.e. the holder of the Note) is basically comparable to, or even more favourable than, the market norm among business enterprises (i.e. not between a commercial bank and a business enterprise), and therefore is on normal commercial terms, fair and reasonable and in the interests of ITCP and the ITCP Shareholders as a whole.

On such basis, we consider that by issuing the Note for settlement of substantial part of the Consideration to the extent of HK\$100.0 million could preserve the ITCP Group's cash resources immediately upon Completion, so as to alleviate its immediate financial burden toward the Transaction by delaying up to two years after Completion. Accordingly, we are of view that a substantial part of the payment being met by issuing of the Note is fair and reasonable, is in the interests of ITCP and the ITCP Shareholders as a whole, particularly having considered the current tightening credit environment as a consequence of the volatile financial markets all over the world.

### *Valuation of the Property*

To assess the fairness and reasonableness of the Consideration, we have reviewed the Valuation Report and enquired into the Valuer on the methodology or approach adopted and the basis and assumptions used in arriving at the Valuation. In the course of our enquiry, we understand that the Valuer carried out a site inspection to the Property in September 2011 to research for the necessary information to determine the market value of the Property. The Valuer has further advised that it has adopted the direct comparison approach for the Valuation based on the principle of substitution, where comparison is made based on prices realised on actual sales and/or asking prices of comparable properties so as to arrive at a fair comparison of market value. As confirmed by the Valuer, the direct comparison approach is commonly adopted for valuation of properties in Hong Kong and the PRC and is also consistent with normal market practice. Further details of the basis and assumptions of the Valuation are included in the Valuation Report as contained in the Appendix IV to the Circular.

During the course of our discussions with the Valuer, we have not identified any major factors which cause us to doubt the fairness and reasonableness of the principal basis and assumptions adopted for the Valuation.

We further analysed the net asset value of the Top Precise Group by considering the amount of the Valuation of HK\$322.0 million as mentioned above in order to fairly reflect the net asset value of the Top Precise Group as at 30th June, 2011. Based on the TPG Financial Information, the audited

## LETTER OF ADVICE FROM FIRST SHANGHAI

consolidated net asset value of the Top Precise Group as at 30th June, 2011 was approximately HK\$204.8 million, after taking into account the Valuation of HK\$322.0 million and then resulting into an associated gain on fair value change of the Property of approximately HK\$9.0 million (the “**Audited NAV**”). The Consideration to be paid for the Sale Share after adjusting the NTAV of approximately HK\$116.8 million as calculated from the aggregate of (i) debtors, deposits and prepayments of approximately HK\$129,000 and (ii) bank balances of approximately HK\$5,000; less (iii) creditors and accrued expenses of approximately HK\$0.7 million, (iv) bank overdraft of approximately HK\$18.8 million and (v) all bank borrowings of approximately HK\$97.5 million as extracted from the TPG Financial Information, the Consideration shall be approximately HK\$196.2 million, which represented a slight discount of approximately 4.2% to the Audited NAV of approximately HK\$204.8 million thereof. In view of the above consideration, we concur with the ITCP Directors’ view that the entering into of the Agreement as well as the determination of the Consideration under the Transaction is fair and reasonable so far as the Independent ITCP Shareholders are concerned, and is in the interests of ITCP and the ITCP Shareholders as a whole.

Since the Top Precise Group is an investment holding company currently holding the single Property while the subject matter of the Transaction, in substance, is the Property itself instead the business operation thereof, direct comparison in terms of price-earning ratio and price-to-book ratio with other property investment companies listed on the Stock Exchange with full operating scale and property investment portfolio would not be meaningful, or even misleading. In addition, by excluding the gain on fair value change of the Property, the Top Precise Group would have recorded operating profit/(loss) of approximately HK\$(0.5) million, HK\$0.9 million and HK\$(2.9) million during the two years ended 31st March, 2010 and 2011 and the three months ended 30th June, 2011 respectively, which could not demonstrate/maintain a proven stable and meaningful profitability thereof. As the Top Precise Group’s assets substantially consist of the Property being self-occupied by ITC and partially leased to the ITCP Group, we consider that it would be more meaningful for us to consider the net asset value rather than to make reference to the past financial and operating performance of the Top Precise Group. As such, the Audited NAV by making reference to the Valuation is an appropriate valuation of the Top Precise Group.

Since the Consideration represents a slight discount of approximately 4.2% to the Audited NAV as at 30th June, 2011 with reference to the Valuation of HK\$322.0 million as set out in the Valuation Report in the Appendix IV to the Circular, we consider that the basis for determining the Consideration is fair and reasonable so far as the Independent ITCP Shareholders are concerned, and is in the interests of ITCP and the ITCP Shareholders as a whole.



## LETTER OF ADVICE FROM FIRST SHANGHAI

### *Assignment of the Sale Loan*

Since the portion of the Consideration attributable to the Sale Loan shall be equal to the face value of the Sale Loan as at the Completion Date, which is part and parcel of the transactions contemplated under the Agreement, we are of the view that the terms for assignment of the Sale Loan are on normal commercial terms, fair and reasonable so far as the Independent ITCP Shareholders are concerned, and is in the interests of ITCP and the ITCP Shareholders as a whole.

Having considered the above factors, we are of the view that the Consideration (including its payment terms) is fair and reasonable so far as the Independent ITCP Shareholders are concerned, and is in the interests of ITCP and the ITCP Shareholders as a whole.

### *Conditions precedent*

Completion is conditional upon, among others, (a) the Vendor having proved that Great Intelligence has good title to the Property subject to the existing tenancy and security created by Great Intelligence in respect of the Premises and the Car Parking Spaces 1 as security for the grant of the BEA Facility; (b) the approval by the Independent ITCP Shareholders of the entering into of the Agreement and the performance of the transactions contemplated thereunder at the ITCP SGM in compliance with the requirements of the Listing Rules; and (c) the approval by the ITC Shareholders (other than those who are required to abstain from voting under the Listing Rules) of the Transaction at the ITC SGM in compliance with the requirements of the Listing Rules.

Other conditions precedent to the Completion are set out in the “Letter from the ITCP Board” in the Circular.

The Purchaser may at its absolute discretion at any time waive condition (a) above by notice in writing to the Vendor. As the waiver of condition (a) above is at the absolute discretion of the Purchaser and it will only waive such condition if it is in the interests of the Purchaser, the ITCP Directors (excluding Mr. Chan Fut Yan, Mr. Chan Yiu Lun, Alan and Hon. Shek Lai Him, Abraham, SBS, JP) are of the view that the waivability of condition (a) is fair and reasonable. Based on our understanding from the Management, the condition (a) above is a general term or condition included in a typical sale and purchase agreement for transfer of property, including the Agreement. On such basis, we consider that the inclusion of the condition (a) above in the Agreement is to provide flexibility to the Purchaser by exercising the absolute discretion at that time, and it will only waive such condition if it considers appropriate and is in the interests of the Purchaser.

## LETTER OF ADVICE FROM FIRST SHANGHAI

In an unlikely event that, if and only if, the ITCP Group would acquire the Property without good title if it chooses to waive such condition (a) above, we would consider that the Transaction would not be conducted on normal commercial terms, and not be fair and reasonable so far as the Independent ITCP Shareholders are concerned, and not be in the interests of the ITCP Group and the ITCP Shareholders as a whole. However, the ITCP Directors (excluding Mr. Chan Fut Yan, Mr. Chan Yiu Lun, Alan and Hon. Shek Lai Him, Abraham, SBS, JP) have confirmed that the Purchaser has no current intention to waive such condition (a) above. According to the Valuation Report and verbal confirmation by the Valuer, the current registered owner of the Property is Great Intelligence since 30th December, 2004, we therefore do not anticipate that the title of the Property would be in defect upon Completion.

### *Undertaking by the Purchaser*

The Purchaser undertakes to the Vendor to use its reasonable endeavours to procure the BEA Guarantee be released and discharged and the facility letters in relation to the BEA Loan shall be amended, varied or cancelled to release ITC from all further obligations and liabilities, with effect from Completion. In the event that the BEA Guarantee is not released and discharged by Completion, the Purchaser shall repay the BEA Loan forthwith after Completion. Should such repayment be required, it is also expected that the same will be financed by internal resources of the ITCP Group.

Since all the legal rights and obligations under the Property shall be transferred to the Purchaser upon Completion, it is fair and reasonable for the provision of undertaking by the Purchaser to the Vendor to release and discharge the latter's obligations and liabilities under the facility letters in relation to the BEA Loan with effect from Completion.

### *Completion*

Completion shall take place on the third (3rd) Business Day after fulfillment or waiver (as applicable) of the last of the conditions precedent set out above, or such other date as the parties to the Agreement may agree in writing. Further details of the arrangement for the Completion are set out in the "Letter from the ITCP Board" in the Circular.

## **5. Possible financial effects on the Transaction of the ITCP Group**

### *Earnings*

Upon Completion, there is no immediate material impact on earnings of the ITCP Group, while (i) ITCP will become the ultimate holding company of the Top Precise Group; and (ii) the full financial results and position of the Top Precise Group will be included in the consolidated financial statements of the ITCP Group after Completion. The ITCP Directors expect that there will be annual rental income of approximately HK\$2.7 million to be generated from

## LETTER OF ADVICE FROM FIRST SHANGHAI

the Tenancy Agreement, and in contrast, the ITCP Group's original rental and utility expenses of approximately HK\$3.2 million payable to the Vendor (i.e. the original landlord of the Property) annually could be saved at that time, so the Transaction will contribute to the earnings base of the ITCP Group and bring in positive operating cash inflow from the Property in the long run. However, in the short term of the coming two years after Completion, the ITCP Group has to bear interest expenses on the Note annually amounting to approximately HK\$6.0 million based on the current prime lending rate of 5.0% per annum offered by The Hongkong and Shanghai Banking Corporation Limited plus 1.0% per annum there over in accordance with the Agreement.

### *Working capital*

The aggregate Consideration will be partially financed by the internal resources of the ITCP Group while the remaining balance will be served by debt-financing in form of issuing the Note amounting to HK\$100.0 million, which will mature and be settled within the two years after the date of issue of the Note (i.e. the Completion Date). Accordingly, there was an immediate cash outflow of HK\$60.0 million for payment of the initial Deposit upon signing of the Agreement. Based on the Annual Report, the working capital (i.e. total current assets of approximately HK\$2,263.3 million, less total current liabilities of approximately HK\$2,078.1 million) and bank balances and cash of the ITCP Group as at 31st March, 2011 amounted to approximately HK\$185.2 million and HK\$294.8 million respectively, representing a current ratio of approximately 1.1 times. As such, the net Consideration after deducting the HK\$100.0 million attributable to the Note currently estimated to be HK\$96.2 million would not exert considerable pressure on the working capital of the ITCP Group.

Similar to the above earning effect, it is currently anticipated that the Property could generate aggregate positive operating cash flow effect by (i) receiving an annual rental income of approximately HK\$2.7 million from the ITC Group; and (ii) saving the ITCP Group's original rental and utility expenses of approximately HK\$3.2 million payable to the ITC Group annually upon Completion and subsequently in the coming years, even though the ITCP Group has to bear interest expenses on the Note annually amounting to approximately HK\$6.0 million in the coming two years after Completion. On such basis, we concur with the ITCP Directors' confirmation that the ITCP Group would have sufficient cash resources and/or funding to satisfy the financing needs for the Transaction. As such, it is currently anticipated that there would not be material adverse effect on the working capital position of the ITCP Group after Completion and the subsequent two years on the basis that the net recurring cash flow effect on the Property would be very minimal at merely HK\$0.1 million.

## LETTER OF ADVICE FROM FIRST SHANGHAI

### *Net asset value*

According to the Annual Report, the audited consolidated net asset value (excluding non-controlling interests) of the ITCP Group was approximately HK\$2,376.3 million as at 31st March, 2011. It is currently expected that there will not be any significant impact of the net assets of the ITCP Group following the Completion as the increase in the value of the Property under the Transaction will be offset by the decrease in bank balances and increase in liabilities of the ITCP Group. There will also be no material impact on the income statement and reserves of the ITCP Group. Based on the unaudited pro forma financial information of the Enlarged ITCP Group as set out in Appendix III to the Circular (the “**Pro Forma Information**”), it could be inferred that the Enlarged ITCP Group’s consolidated net asset value would basically remain unchanged upon Completion.

### *Gearing position*

As at 31st March, 2011, the ITCP Group had interest-bearing bank borrowings, convertible note payables and obligations under finance leases in aggregate of approximately HK\$1,387.8 million, and hence, an acceptable gearing ratio (which is calculated by aggregation of the interest-bearing borrowings, bank overdraft, convertible note payables and obligations under finance leases divided by the net asset value (excluding non-controlling interests) of the ITCP Group) of approximately 58.4%. Based on the Pro Forma Information, it could currently be inferred that the gearing position of the Enlarged ITCP Group would increase to a higher level of approximately 67.5%, but which we consider still at a tolerable level on the basis that (i) the capital expenditure associated with the Property is one-off in nature for the ITCP Group’s increase in property portfolio while at same time meeting its own office requirement; while (ii) such higher gearing position could gradually be improved in the coming years because the Property could generate rental income from the Tenancy Agreement on the one hand, and save the ITCP Group’s original rental and utility expenses payable to the Vendor (i.e. the original landlord of the Property) on the other hand, in the long run.

### *Conclusion*

In light of the foregoing financial effects of the Transaction on the earnings, working capital, net asset value as well as gearing position of the Enlarged ITCP Group, we are of the view that the Transaction would have no significant adverse impact on the Enlarged ITCP Group’s financial position, save and except for the reduction in working capital and increase in liabilities attributable to the Note, which are inevitable as the ITCP Group intends to partially finance the aggregate Consideration by internal cash resources plus some medium term debt financing. Therefore, we are of the view that while the ITCP Group’s cash resources would be reduced and its gearing position would conversely increase, the Transaction is an effective utilisation of its cash resources which is aimed at positioning the ITCP Group for better growth in the future which, in the long run, is expected to benefit ITCP and the ITCP Shareholders as a whole.

**LETTER OF ADVICE FROM FIRST SHANGHAI**

**RECOMMENDATION**

Having taken into account the above principal factors and reasons, in particular, (i) the long-term benefits of the Transaction to the ITCP Group; (ii) the basis for determination of the Consideration; and (iii) the financial effects of the Transaction to the Enlarged ITCP Group, we are of the view that the Transaction is conducted in the ordinary and usual course of business of the ITCP Group and the terms of the Agreement are on normal commercial terms, fair and reasonable so far as the Independent ITCP Shareholders are concerned, the entering into of the Agreement is in the interests of the ITCP Group and the ITCP Shareholders as a whole. Accordingly, we recommend the ITCP IBC to advise the Independent ITCP Shareholders to vote in favour of the ordinary resolution to approve the Transaction and the transactions contemplated under or in connection with the Agreement at the ITCP SGM.

Yours faithfully,

For and on behalf of

**First Shanghai Capital Limited**

**Eric Lee**

*Managing Director*

**Fanny Lee**

*Managing Director*

<b>APPENDIX I      FINANCIAL INFORMATION OF THE ITCP GROUP</b>
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**1. FINANCIAL INFORMATION OF THE ITCP GROUP**

Financial information of the ITCP Group for each of the three years ended 31st March, 2009, 2010 and 2011 respectively are disclosed in the following documents which have been published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and ITCP (<http://www.itcproperties.com>) respectively:

- annual report of ITCP for the year ended 31st March, 2009 published on 29th July, 2009 (pages 44 to 154);
- annual report of ITCP for the year ended 31st March, 2010 published on 29th July, 2010 (pages 42 to 145); and
- annual report of ITCP for the year ended 31st March, 2011 published on 15th July, 2011 (pages 42 to 145).

**2. INDEBTEDNESS STATEMENT**

At the close of business on 31st August, 2011, being the latest practicable date for the purpose of preparing this indebtedness statement, the Enlarged ITCP Group had secured bank borrowings and bank overdrafts of approximately HK\$597.5 million and HK\$28.4 million, respectively. In addition, the Enlarged ITCP Group had outstanding at that date obligations under hire purchase contracts and finance leases of approximately HK\$0.2 million.

At the same date, the Enlarged ITCP Group had also the following outstanding convertible notes:

	<b>Conversion price</b>	<b>Principal amount</b>	<b>Carrying amount of debt component at 31st August, 2011</b>
	<i>HK\$</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Convertible notes issued on:			
– 25th May, 2011	2.20	589,050	490,809
– 10th June, 2011	2.20	30,000	24,621
		619,050	515,430

## APPENDIX I FINANCIAL INFORMATION OF THE ITCP GROUP

The Enlarged ITCP Group's bank borrowings and credit facilities from financial institutions were secured by legal charges over the following assets of the Enlarged ITCP Group:

- (i) properties held for sale with a carrying value of HK\$597.3 million;
- (ii) investment properties under development with a carrying value of HK\$546.7 million;
- (iii) investment properties with a carrying value of HK\$79.7 million; and
- (iv) property, plant and equipment with a carrying value of HK\$233.5 million.

Saved as aforesaid, and apart from intra-group liabilities, the Enlarged ITCP Group did not have outstanding at the close of business on 31st August, 2011, any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans, debt securities or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, finance lease or hire purchase commitments, guarantees or other material contingent liabilities.

Foreign currency amounts have been translated into Hong Kong dollars at the approximate exchange rates prevailing at the close of business on 31st August, 2011.

### 3. WORKING CAPITAL

The ITCP Directors are of the opinion that, after taking into account its presently available financial resources, including funds internally generated from operation and the available banking facilities, the Enlarged ITCP Group will have sufficient working capital for its business for the next twelve months from the date of this circular in the absence of unforeseen circumstances.

**1. ACCOUNTANT’S REPORT ON THE TOP PRECISE GROUP**

*The following is the text of the report, prepared for the purpose of incorporation in this circular, received from the independent reporting accountant of Top Precise, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong.*



26th October, 2011

The Directors  
**ITC Properties Group Limited**

Dear Sirs,

We set out below our report on the financial information (“**Financial Information**”) regarding Top Precise Investments Limited (“**Top Precise**”, together with its subsidiary, collectively referred to as the “**Top Precise Group**”) and its subsidiaries for each of the three years ended 31st March, 2009, 2010 and 2011 and three months ended 30th June, 2011 (the “**Relevant Period**”) for inclusion in the circular of ITC Properties Group Limited (“**ITC Properties**”) dated 26th October, 2011 issued in connection with the major and connected transaction involving the acquisition (the “**Acquisition**”) of the entire interest in Top Precise (the “**Circular**”).

Top Precise is a private limited company incorporated in the British Virgin Islands on 23rd July, 2002. The registered office of Top Precise is located at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands and the principal place of business of Top Precise is 30/F., Bank of America Tower, 12 Harcourt Road, Central, Hong Kong.

Top Precise is an investment holding company. Throughout the Relevant Period and as at the date of this report, Top Precise has interest in the following entity:

Company name	Place and date of incorporation	Issued and fully paid share capital	Attributable equity interest held by Top Precise				Date of report	Principal activity
			At 31st March,		At 30th June,			
			2009	2010	2011	2011		
Great Intelligence Limited	Hong Kong, 10th September, 1999	HK\$2	100%	100%	100%	100%	100%	Holding of property for rental purpose



For the purpose of this report, the directors of Top Precise has prepared the consolidated management accounts of the Top Precise Group for the Relevant Period (the “**Underlying Management Accounts**”) in accordance with the significant accounting policies which conform with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) as set out in note 3 of section A below. We have undertaken an independent audit on the Underlying Management Accounts in accordance with Hong Kong Standards on Auditing issued by the HKICPA and examined the Underlying Management Accounts in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” as recommended by the HKICPA.

The Financial Information set out in this report has been prepared from the Underlying Management Accounts for the purpose of preparing our report for the inclusion in the Circular. The preparation of the Underlying Management Accounts is the responsibility of the directors of Top Precise. The directors of ITC Properties are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Management Accounts, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Top Precise Group as at 31st March, 2009, 2010 and 2011 and 30th June, 2011 and of its results and cash flows for the Relevant Period.

The comparative consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Top Precise Group for the three months ended 30th June, 2010 together with the notes thereon (the “**June 2010 Financial Information**”) have been extracted from the Top Precise Group’s consolidated management accounts (the “**June 2010 Underlying Management Accounts**”) for the same period, which were prepared by the directors of Top Precise solely for the purpose of this report. We have reviewed the June 2010 Underlying Management Accounts in accordance with the Hong Kong Standard on Review Engagement 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. Our review of the June 2010 Underlying Management Accounts consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the June 2010 Underlying Management Accounts. Based on our review, nothing has come to our attention that causes us to believe that the June 2010 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information which conform with HKFRSs.

<b>APPENDIX II FINANCIAL INFORMATION OF THE TOP PRECISE GROUP</b>
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**A. FINANCIAL INFORMATION**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	<i>NOTES</i>	Year ended 31st March,			Three months ended	
		2009	2010	2011	30th June,	2011
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
					(unaudited)	
Revenue	4	6,036	6,174	6,174	1,544	1,544
Direct costs		(1,167)	(1,167)	(17)	(9)	–
Interest income		3	–	–	–	9
Other income		3,706	–	–	–	–
Administrative expenses		(147)	(48)	(66)	(31)	(3,576)
Finance costs	5	(5,722)	(5,427)	(5,190)	(1,447)	(894)
(Loss) gain on changes in fair values of investment properties		(54,000)	110,980	46,020	–	9,000
		(54,000)	110,980	46,020	–	9,000
(Loss) profit for the year/period and total comprehensive (expense) income for the year/period	6	(51,291)	110,512	46,921	57	6,083

**APPENDIX II FINANCIAL INFORMATION OF THE TOP PRECISE GROUP**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

		As at 31st March,			As at
		2009	2010	2011	30th June,
	NOTES	HK\$'000	HK\$'000	HK\$'000	2011
					HK\$'000
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment	8	1,184	17	–	–
Investment properties	9	<u>156,000</u>	<u>266,980</u>	<u>313,000</u>	<u>322,000</u>
		<u>157,184</u>	<u>266,997</u>	<u>313,000</u>	<u>322,000</u>
<b>CURRENT ASSETS</b>					
Other debtors, deposits and prepayments		139	124	117	129
Bank balances		<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>
		<u>144</u>	<u>129</u>	<u>122</u>	<u>134</u>
<b>CURRENT LIABILITIES</b>					
Creditors and accrued expenses		560	552	551	676
Amount due to immediate holding company	10	–	–	–	313
Amount due to a fellow subsidiary	10	57,569	37,002	36,463	–
Bank overdraft	11	2,677	24,988	29,853	18,807
Bank borrowings – due within one year	12	<u>2,450</u>	<u>5,250</u>	<u>5,250</u>	<u>55,250</u>
		<u>63,256</u>	<u>67,792</u>	<u>72,117</u>	<u>75,046</u>
<b>NET CURRENT LIABILITIES</b>		<u>(63,112)</u>	<u>(67,663)</u>	<u>(71,995)</u>	<u>(74,912)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		94,072	199,334	241,005	247,088
<b>NON-CURRENT LIABILITIES</b>					
Bank borrowings – due after one year	12	<u>52,750</u>	<u>47,500</u>	<u>42,250</u>	<u>42,250</u>
<b>NET ASSETS</b>		<u>41,322</u>	<u>151,834</u>	<u>198,755</u>	<u>204,838</u>
<b>CAPITAL AND RESERVES</b>					
Share capital	14	–	–	–	–
Accumulated profits		<u>41,322</u>	<u>151,834</u>	<u>198,755</u>	<u>204,838</u>
<b>TOTAL EQUITY</b>		<u>41,322</u>	<u>151,834</u>	<u>198,755</u>	<u>204,838</u>

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

	Share capital <i>HK\$'000</i>	Accumulated profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st April, 2008	–	92,613	92,613
Loss for the year and total comprehensive expense for the year	–	(51,291)	(51,291)
At 31st March, 2009	–	41,322	41,322
Profit for the year and total comprehensive income for the year	–	110,512	110,512
At 31st March, 2010	–	151,834	151,834
Profit for the year and total comprehensive income for the year	–	46,921	46,921
At 31st March, 2011	–	198,755	198,755
Profit for the period and total comprehensive income for the period	–	6,083	6,083
At 30th June, 2011	–	204,838	204,838
At 1st April, 2010 (audited)	–	151,834	151,834
Profit for the period and total comprehensive income for the period	–	57	57
At 30th June, 2010 (unaudited)	–	151,891	151,891

**APPENDIX II FINANCIAL INFORMATION OF THE TOP PRECISE GROUP**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Year ended 31st March,			Three months ended	
	2009 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000 (unaudited)	2011 HK\$'000
<b>OPERATING ACTIVITIES</b>					
(Loss) profit for the year/period	(51,291)	110,512	46,921	57	6,083
Adjustments for:					
Interest expenses	5,722	5,427	5,190	1,447	894
Depreciation of property, plant and equipment	1,167	1,167	17	9	-
Loss (gain) on changes in fair value of investment properties	54,000	(110,980)	(46,020)	-	(9,000)
Loss on disposal of property, plant and equipment	8	-	-	-	-
Interest income	(3)	-	-	-	(9)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Operating cash flows before movements in working capital	9,603	6,126	6,108	1,513	(2,032)
(Increase) decrease in other debtors, deposits and prepayments	(3)	15	7	1	(12)
Increase (decrease) in creditors and accrued expenses	546	(8)	(1)	20	125
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Cash generated from (used in) operations	10,146	6,133	6,114	1,534	(1,919)
Interest received	3	-	-	-	9
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>NET CASH FROM (USED IN) OPERATING ACTIVITIES</b>	<u>10,149</u>	<u>6,133</u>	<u>6,114</u>	<u>1,534</u>	<u>(1,910)</u>
<b>FINANCING ACTIVITIES</b>					
Advance from immediate holding company	-	-	-	-	313
Advance from a fellow subsidiary	-	-	34,910	34,910	-
Repayment to a fellow subsidiary	(4,811)	(20,567)	(35,449)	-	(36,463)
(Repayment) addition of bank loans	(2,450)	(2,450)	(5,250)	-	50,000
Interest paid	(5,722)	(5,427)	(5,190)	(1,447)	(894)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>NET CASH (USED IN) FROM FINANCING ACTIVITIES</b>	<u>(12,983)</u>	<u>(28,444)</u>	<u>(10,979)</u>	<u>33,463</u>	<u>12,956</u>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<u>(2,834)</u>	<u>(22,311)</u>	<u>(4,865)</u>	<u>34,997</u>	<u>11,046</u>
<b>CASH AND CASH EQUIVALENTS BROUGHT FORWARD</b>	<u>162</u>	<u>(2,672)</u>	<u>(24,983)</u>	<u>(24,983)</u>	<u>(29,848)</u>
<b>CASH AND CASH EQUIVALENTS CARRIED FORWARD</b>	<u>(2,672)</u>	<u>(24,983)</u>	<u>(29,848)</u>	<u>10,014</u>	<u>(18,802)</u>
<b>ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS</b>					
Bank balances	5	5	5	10,014	5
Bank overdraft	(2,677)	(24,988)	(29,853)	-	(18,807)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	<u>(2,672)</u>	<u>(24,983)</u>	<u>(29,848)</u>	<u>10,014</u>	<u>(18,802)</u>

## NOTES TO THE FINANCIAL INFORMATION

### 1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The Financial Information is presented in Hong Kong dollars, which is the same as the functional currency of Top Precise.

The Top Precise Group's ultimate holding company is ITC Corporation Limited ("ITC"), a company which is incorporated in Bermuda with its shares listed on The Stock Exchange of Hong Kong Limited. The immediate holding company of Top Precise is Hero's Way Resources Ltd., a company incorporated in the British Virgin Islands.

The Financial Information has been prepared on a going concern basis because ITC Properties, being the holding company of the purchaser, has agreed to provide financial support to the Top Precise Group to meet in full its financial obligations as they fall due in the foreseeable future. However, if the Acquisition is not completed, a fellow subsidiary of the Top Precise Group, being a subsidiary of ITC, has agreed to continue to provide adequate funds for the Top Precise Group to meet in full its financial obligations as they fall due for the foreseeable future.

(Loss) earnings per share is not presented as it is considered not meaningful to this Financial Information.

No dividend were paid, declared or proposed during the Relevant Period, nor has any dividend been proposed since 30th June, 2011.

### 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The HKICPA issued a number of new and revised Hong Kong Accounting Standards ("HKASs") and HKFRSs, amendments and interpretations ("INTs") (hereinafter collectively referred to as the "new HKFRSs") which are effective for the Top Precise Group's accounting period beginning on 1st April, 2011. For the purposes of preparing and presenting the Financial Information of the Relevant Period, the Top Precise Group has adopted all these new HKFRSs consistently throughout the Relevant Period.

In addition, the Top Precise Group has applied the Amendments to HKAS 12 titled *Deferred Tax: Recovery of Underlying Assets* in advance of their effective date (annual periods beginning on or after 1st April, 2012). Under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 *Investment Property* are presumed to be recovered through sale, unless the presumption is rebutted in certain circumstances.

As a result, the carrying amount of the Top Precise Group's investment properties that are measured using the fair value model have been presumed to be recovered through sale for the purpose of measuring deferred tax liabilities and deferred tax assets in respect of such properties. The Top Precise Group measures any deferred tax liability in respect of the Top Precise Group's investment properties with reference to the tax liability that would arise if the investment properties were disposed of at their carrying amounts at the reporting date.

Accordingly, in the Relevant Period, no deferred tax has been provided for in respect of changes in fair value of such investment properties under Amendments to HKAS 12.

At the date of this report, the following new and revised standards and amendments have been issued but are not yet effective:

HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters <sup>1</sup>
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets <sup>1</sup>
HKFRS 9	Financial Instruments <sup>2</sup>
HKFRS 10	Consolidated Financial Statements <sup>2</sup>
HKFRS 11	Joint Arrangements <sup>2</sup>
HKFRS 12	Disclosure of Interests in Other Entities <sup>2</sup>
HKFRS 13	Fair Value Measurement <sup>2</sup>
HKAS 27 (as revised in 2011)	Separate Financial Statements <sup>2</sup>
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures <sup>2</sup>

<sup>1</sup>        Effective for annual periods beginning on or after 1st July, 2011.

<sup>2</sup>        Effective for annual periods beginning on or after 1st January, 2013.

HKFRS 9 “Financial Instruments” (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 “Financial Instruments” (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

The Top Precise Group has not early adopted these new and revised standards and amendments in the preparation of the Top Precise Group’s Financial Information.

The directors of Top Precise anticipate that the application of these new and revised standards or amendments will have no material impact on the results and the financial position of the Top Precise Group.

**3.      SIGNIFICANT ACCOUNTING POLICIES**

The Financial Information has been prepared in accordance with the following accounting policies which conform to HKFRSs issued by the HKICPA.

The Financial Information has been prepared on the historical cost basis except for certain properties that are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The principal accounting policies are set out below.

**Basis of consolidation**

The consolidated financial statements incorporate the financial statements of Top Precise and the entity controlled by Top Precise (its subsidiary). Control is achieved where Top Precise has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Where necessary, adjustments are made to the financial statements of the subsidiary to bring their accounting policies into line with those used by Top Precise.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

### **Revenue recognition**

Rental income from properties under operating leases is recognised in profit or loss on a straight-line basis over the terms of the relevant lease.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Management fee income is recognised when services are rendered.

### **Property, plant and equipment**

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

### **Investment property**

Investment property is property held to earn rentals and/or for capital appreciation.

Investment property including both leasehold land and building is initially measured at cost, including any directly attributable expenses. Subsequent to initial recognition, investment property is measured at fair value using the fair value model. Gain or losses arising from changes in the fair value of investment property are included in profit or loss for the year/period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognised.

### **Financial instruments**

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Top Precise Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.



### *Financial assets*

The Top Precise Group's financial assets are classified as loans and receivables.

#### Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

#### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including other debtors and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

#### Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

### *Financial liabilities and equity instruments*

Financial liabilities and equity instruments issued by the Top Precise Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Top Precise Group after deducting all of its liabilities. Equity instruments issued by the Top Precise Group are recorded at the proceeds received, net of direct issue costs.

The Top Precise Group's financial liabilities (including amount due to a fellow subsidiary/ immediate holding company, bank overdraft and bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

#### Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

#### *Derecognition*

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Top Precise Group has transferred substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

#### **Impairment**

At the end of the reporting period, the Top Precise Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

#### **Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Top Precise Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Top Precise Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity, respectively.

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model in accordance with HKAS 40 *Investment Property*, such properties are presumed to be recovered through sale. Such a presumption is rebutted when the investment property is depreciable or is held within a business model of the Top Precise Group whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax liabilities and deferred tax assets for such investment properties are measured in accordance with the above general principles set out in HKAS 12 (i.e. based on the expected manner as to how the properties will be recovered).

#### **Leasing**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

#### **Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

#### **Retirement benefit costs**

Payments to the defined contribution retirement benefit plans are charged as an expense when employees have rendered service entitling them to the contributions.

**APPENDIX II FINANCIAL INFORMATION OF THE TOP PRECISE GROUP**

**4. REVENUE**

	Year ended 31st March,			Three months ended	
	2009	2010	2011	30th June,	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(unaudited)	
Rental income from:					
A fellow subsidiary	3,118	3,020	3,020	755	755
Associate of ITC ( <i>note</i> )	2,704	2,923	2,923	731	731
Management fee income from:					
Associate of ITC ( <i>note</i> )	214	231	231	58	58
	<u>6,036</u>	<u>6,174</u>	<u>6,174</u>	<u>1,544</u>	<u>1,544</u>

*Note:* Associate of ITC refers to ITC Properties and its subsidiaries.

**5. FINANCE COSTS**

	Year ended 31st March,			Three months ended	
	2009	2010	2011	30th June,	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(unaudited)	
Interest on:					
Amount due to a fellow subsidiary	4,772	5,167	4,616	1,363	308
Bank borrowings wholly repayable within five years	28	13	574	84	586
Bank borrowings not wholly repayable within five years	922	247	-	-	-
	<u>5,722</u>	<u>5,427</u>	<u>5,190</u>	<u>1,447</u>	<u>894</u>

**APPENDIX II FINANCIAL INFORMATION OF THE TOP PRECISE GROUP**

**6. (LOSS) PROFIT FOR THE YEAR/PERIOD**

	Year ended 31st March,			Three months ended 30th June,	
	2009 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000
(Loss) profit for the year/period has been arrived at after charging:				(unaudited)	
Auditor's remuneration	8	8	8	-	-
Directors' remuneration	-	-	-	-	-
Depreciation of property, plant and equipment	1,167	1,167	17	9	-
Management fee	-	-	-	-	3,500
Loss on disposal of property, plant and equipment	8	-	-	-	-
and after crediting:					
Rental income under operating leases in respect of rented premises, net of negligible outgoings	5,822	5,943	5,943	1,486	1,486
Handling fee income (included in "other income")	3,706	-	-	-	-
Interest income	3	-	-	-	-

**7. TAXATION**

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit throughout the Relevant Period.

No provision for Hong Kong Profits Tax has been made as the Top Precise Group had no assessable profits during the Relevant Period.

The taxation for the Relevant Period can be reconciled to the (loss) profit for the year/period per the consolidated statements of comprehensive income as follows:

	Year ended 31st March,			Three months ended 30th June,	
	2009 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000
(Loss) profit for the year/period before tax	<u>(51,291)</u>	<u>110,512</u>	<u>46,921</u>	<u>57</u>	<u>6,083</u>
Tax at Hong Kong Profits Tax rate of 16.5%	(8,463)	18,234	7,742	9	1,004
Tax effect of expenses not deductible for tax purpose	8,910	-	-	1	-
Tax effect of income not taxable for tax purpose	-	(18,312)	(7,593)	-	(1,485)
Tax effect of tax loss not recognised	-	78	-	-	481
Tax effect of recognition of tax losses previously not recognised	(398)	-	(149)	-	-
Others	<u>(49)</u>	<u>-</u>	<u>-</u>	<u>(10)</u>	<u>-</u>
Taxation for the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Details of deferred taxation are set out in note 13.

<b>APPENDIX II FINANCIAL INFORMATION OF THE TOP PRECISE GROUP</b>
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**8. PROPERTY, PLANT AND EQUIPMENT**

	<b>Leasehold improvements</b> <i>HK\$'000</i>
<b>COST</b>	
At 1st April, 2008	5,855
Disposals	(19)
	5,836
At 31st March, 2009, 31st March, 2010, 31st March, 2011 and 30th June, 2011	5,836
<b>DEPRECIATION</b>	
At 1st April, 2008	3,496
Provided for the year	1,167
Eliminated on disposals	(11)
	4,652
At 31st March, 2009	4,652
Provided for the year	1,167
	5,819
At 31st March, 2010	5,819
Provided for the year	17
	5,836
At 31st March, 2011 and 30th June, 2011	5,836
<b>CARRYING VALUES</b>	
At 31st March, 2009	1,184
	1,184
At 31st March, 2010	17
	17
At 31st March, 2011 and 30th June, 2011	–
	–

The leasehold improvements are depreciated on a straight-line basis at 20% per annum.

**9. INVESTMENT PROPERTIES**

	<i>HK\$'000</i>
<b>FAIR VALUE</b>	
At 1st April, 2008	210,000
Decrease in fair value recognised in profit or loss	(54,000)
	156,000
At 31st March, 2009	156,000
Increase in fair value recognised in profit or loss	110,980
	266,980
At 31st March, 2010	266,980
Increase in fair value recognised in profit or loss	46,020
	313,000
At 31st March, 2011	313,000
Increase in fair value recognised in profit or loss	9,000
	322,000
At 30th June, 2011	322,000

**APPENDIX II FINANCIAL INFORMATION OF THE TOP PRECISE GROUP**

The fair value of the investment properties at 31st March, 2009, 2010 and 2011 and 30th June, 2011 were HK\$156,000,000, HK\$266,980,000, HK\$313,000,000 and HK\$322,000,000, respectively. At 31st March, 2009, the fair value has been arrived at on the basis of a valuation carried out as at that date by Asset Appraisal Limited using the direct comparison method. At 31st March, 2010 and 2011 and 30th June, 2011, the fair value has been arrived at on the basis of a valuation carried out as at that date by RHL Appraisal Limited, using the direct comparison method. Both Asset Appraisal Limited and RHL Appraisal Limited are independent qualified professional property valuers and not connected with the Top Precise Group.

At the end of the reporting period, the above investment properties represented leasehold land and building under a medium-term lease in Hong Kong.

The Top Precise Group has pledged all the investment properties to secure its bank borrowings of HK\$55,200,000, HK\$52,750,000, HK\$47,500,000 and HK\$97,500,000 at 31st March, 2009, 2010 and 2011 and 30th June, 2011, respectively.

**10. AMOUNT DUE TO IMMEDIATE HOLDING COMPANY/A FELLOW SUBSIDIARY**

The amounts are unsecured, bear interest at the best lending rate of Hong Kong dollars quoted by The Hongkong and Shanghai Banking Corporation Limited (the “**Best Lending Rate**”) plus 2% throughout the Relevant Period and repayable on demand.

**11. BANK OVERDRAFT**

At 31st March, 2009, 31st March, 2010, 31st March, 2011 and 30th June, 2011, secured bank overdraft carries interest at an average prevailing market interest rate of 4.45%, 5.25%, 5.00% and 5.25% per annum, respectively.

**12. BANK BORROWINGS**

	As at 31st March,			As at
	2009	2010	2011	30th June,
	HK\$'000	HK\$'000	HK\$'000	2011
				HK\$'000
The bank borrowings are secured and repayable as follows:				
Within one year	2,450	5,250	5,250	55,250
From one to two years	5,250	5,250	5,250	5,250
From two to three years	5,250	5,250	5,250	5,250
From three to four years	5,250	5,250	5,250	5,250
From four to five years	5,250	5,250	26,500	26,500
More than five years	31,750	26,500	–	–
	55,200	52,750	47,500	97,500
Less: Amount due within one year shown under current liabilities	(2,450)	(5,250)	(5,250)	(55,250)
Amounts due after one year	52,750	47,500	42,250	42,250

The above borrowings carry interest at Hong Kong Interbank Offered Rate (“**HIBOR**”) plus a fixed percentage.

At 31st March, 2009, 31st March, 2010, 31st March, 2011 and 30th June, 2011, the range of effective interest rates on the variable rate bank borrowings are from 0.69% to 4.84%, 0.66% to 0.92%, 0.66% to 0.91% and 0.66% to 0.91% per annum, respectively.

**APPENDIX II FINANCIAL INFORMATION OF THE TOP PRECISE GROUP**

**13. DEFERRED TAXATION**

The following table summarises the major deferred taxation recognised and movements thereon during the Relevant Period:

	<b>Accelerated tax depreciation</b> <i>HK\$'000</i>	<b>Tax losses</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
At 1st April, 2008	347	(347)	–
Charge (credit) to profit or loss	<u>49</u>	<u>(49)</u>	<u>–</u>
At 31st March, 2009	396	(396)	–
Charge (credit) to profit or loss	<u>50</u>	<u>(50)</u>	<u>–</u>
At 31st March, 2010	446	(446)	–
Charge (credit) to profit or loss	<u>240</u>	<u>(240)</u>	<u>–</u>
At 31st March, 2011	686	(686)	–
Charge (credit) to profit or loss	<u>61</u>	<u>(61)</u>	<u>–</u>
At 30th June, 2011	<u><u>747</u></u>	<u><u>(747)</u></u>	<u><u>–</u></u>

The Top Precise Group has unused tax losses of approximately HK\$11,705,000, HK\$12,472,000, HK\$13,020,000 and HK\$16,305,000 as at 31st March, 2009, 2010 and 2011 and 30th June, 2011, respectively, available for offset against future profits. Deferred tax asset has been recognised in respect of such losses of approximately HK\$2,400,000, HK\$2,703,000, HK\$4,158,000 and HK\$4,527,000 as at 31st March, 2009, 2010 and 2011 and 30th June, 2011, respectively. No deferred tax asset has been recognised in respect of the remaining tax losses due to the unpredictability of future profit stream. Tax losses may be carried forward indefinitely.

**14. SHARE CAPITAL**

	<b>As at 31st March, 2009, 2010 and 2011 and 30th June, 2011</b> <i>US\$'000</i>
Authorised:	
50,000 ordinary shares of US\$1 each	<u><u>50</u></u>
Issued and fully paid:	
1 ordinary share of US\$1	<u><u>–</u></u>
Shown in the financial statements as (HK\$'000)	<u><u>–</u></u>



15. SHARE OPTION SCHEME

ITC, the ultimate holding company of Top Precise, adopted a share option scheme (the “ITC Scheme”) on 16th January, 2002 (which was amended on 19th September, 2007) for the purpose of providing incentive or reward to eligible persons for their contribution to, and continuing efforts to promote the interests of, ITC. Options may be granted to employees and directors of ITC, the controlling shareholder of ITC and invested entity and their respective subsidiaries, suppliers, adviser, agent, consultant or contractor for the provision of goods or services to ITC and its subsidiaries (the “ITC Group”) or any invested entity and its subsidiaries and any vendor, customer or celebrity of any member of the ITC Group or any invested entity and its subsidiaries, any person or entity that provides research, development or other technological support to any member of the ITC Group, and any shareholder of any member of the ITC Group or any invested entity and its subsidiaries or any holder of any securities issued by any member of the ITC Group or any invested entity and its subsidiaries. Options may be granted at an initial payment of HK\$1.00 for each acceptance of grant of option(s). Subject to early termination in accordance with the provisions of the ITC Scheme, the ITC Scheme shall be valid and effective for a period of ten years commencing after the date of its adoption.

Details of the movements in the share options granted to the director(s) of Top Precise during the year/period are as follows:

Name of directors	Date of grant	Exercisable period* HK\$	Exercise price per share (Notes 1, 2 and 3)	Number of shares of ITC to be issued upon exercise of the share options				Outstanding as at 31.3.2011 and 30.6.2011
				Outstanding as at 1.4.2008 and 31.3.2009 (Notes 1 and 2)	Adjustments	Outstanding as at 31.3.2010	Cancelled or lapsed during the year	
Ms. Chau Mei Wah, Rosanna#	28.3.2008	28.3.2008 to 27.3.2011	1.51	26,900,000	(22,797,750)	4,102,250	(4,102,250)	-
Mr. Chan Fut Yan#	28.3.2008	28.3.2008 to 27.3.2011	1.51	25,000,000	(21,187,500)	3,812,500	(3,812,500)	-
Mr. Lee Hon Chiu△	28.3.2008	28.3.2008 to 27.3.2011	1.51	5,000,000	(4,237,500)	762,500	(762,500)	-
				56,900,000	(48,222,750)	8,677,250	(8,677,250)	-

\* These share options were vested at the date of grant.

# Also a director of ITC.

△ Appointed as a director on 1st May, 2008 and resigned on 26th August, 2011.

Notes:

- The exercise price per share from HK\$0.385 to HK\$7.7 and the number of shares of ITC to be issued upon exercise of share options were adjusted with effect from 2nd April, 2009 due to the capital reorganisation of ITC completed in April 2009.
- The exercise price per share from HK\$7.7 to HK\$2.52 and the number of shares of ITC to be issued upon exercise of share options were adjusted with retrospectively effect from 29th April, 2009, being commencement of the day next following the record date of the rights issue, due to the rights issue of ITC completed in May 2009. Such adjustments were announced on ITC’s announcement dated 19th May, 2009.

3. The exercise price of share options of ITC had been adjusted from HK\$2.52 per share to HK\$1.51 per share with effect from 22nd October, 2010 due to the distribution of contributed surplus of ITC as disclosed in ITC's announcement dated 16th August, 2010.
4. As at 1st April, 2008 and 31st March, 2009, a former director of Top Precise, Mr. Law Hon Wa, William held share options (which were granted on 28th March, 2008) with rights to subscribe for 3,000,000 ITC shares at the then exercise price of HK\$ 0.385 per share (subject to adjustments) during the period from 28th March, 2008 to 27th March, 2011. He resigned as a director on 1st May, 2008.

It is not practicable to allocate the directors' entitlements between the services to individual companies of the ITC Group. No share-based payment expense has been recognised in the consolidated financial statements of Top Precise.

**16. CAPITAL RISK MANAGEMENT**

Top Precise manage its capital to ensure that the Top Precise Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The overall strategy of Top Precise remains unchanged throughout the Relevant Period.

The capital structure of Top Precise consists of debts, which include amount due to a fellow subsidiary/immediate holding company, bank overdraft and bank borrowings as disclosed in notes 10, 11 and 12, respectively, net of cash and cash equivalents and equity attributable to equity holders of the company, comprising issued share capital and accumulated profits.

The directors of Top Precise review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. The Top Precise Group will balance its overall capital structure through the payment of dividends and new share issues as well as the issue of new debt or the redemption of existing debt.

**17. FINANCIAL INSTRUMENTS**

**(a) Categories of financial instruments**

	As at 31st March,			As at
	2009	2010	2011	30th June,
	HK\$'000	HK\$'000	HK\$'000	2011
				HK\$'000
<b>Financial assets</b>				
Loans and receivables (including cash and cash equivalents)	14	5	5	5
<b>Financial liabilities</b>				
Amortised cost	115,446	114,740	113,816	116,620
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

**(b) Financial risk management objectives and policies**

The major financial instruments of the Top Precise Group include bank balances, amount due to a fellow subsidiary/immediate holding company, bank overdraft and bank borrowings. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

*Cash flow interest rate risk*

The Top Precise Group is exposed to cash flow interest rate risk in relation to bank borrowings, bank overdraft and amount due to a fellow subsidiary/immediate holding company, which are arranged at floating rates.

Management has closely monitor interest rate movement and manage the potential risk. The Top Precise Group currently does not have an interest rate hedging policy. However, management monitors interest rate change exposure and will consider hedging significant interest rate change exposure should the need arise.

The Top Precise Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk section of this note. The Top Precise Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the Best Lending Rate and HIBOR arising from the Top Precise Group's amount due to a fellow subsidiary/immediate holding company, bank overdraft and bank borrowings are denominated in Hong Kong dollars.

*Sensitivity analysis*

The sensitivity analysis below has been determined based on the exposure to interest rates for the financial instruments at the end of the reporting period which carried floating market interest rate. The analysis is prepared assuming the amount of the assets and liabilities outstanding at the end of the reporting periods were outstanding for the whole year/period. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. If interest rates had been 50 basis points higher and all other variables were held constant, the impact on the results for the year/period is as follows:

	<b>Increase in interest rates by 50 basis points</b>			
	<b>As at 31st March,</b>			<b>As at</b>
	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>30th June,</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Increase in loss/decrease in profit for the year/period	<u>577</u>	<u>574</u>	<u>569</u>	<u>146</u>

If interest rates had been 50 basis points lower and all other variables were held constant, there would be an equal and opposite impact on the results for the year/period on the above table.

*Credit risk*

The Top Precise Group's maximum exposure to credit risk in the event of the counterparties' failure to discharge their obligations as at the end of each report period, in relation to each class of recognised financial assets, are the amounts stated in the consolidated statement of financial position.

The credit risk on liquid fund is limited because the counterparties are banks with high credit-ratings.

*Liquidity risk*

In the management of the liquidity risk, the Top Precise Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Top Precise Group's operations and mitigate the effects of fluctuations in cash flows.

The Top Precise Group relies on advances from group companies and bank borrowings as significant sources of liquidity. In addition, ITC Properties has agreed to provide financial support to the Top Precise Group to meet in full its financial obligations as they fall due in the foreseeable future. However, if the Acquisition is not completed, a fellow subsidiary of the Top Precise Group, being a subsidiary of ITC, has agreed to continue to provide adequate funds for the Top Precise Group to meet in full its financial obligations as they fall due for the foreseeable future in order to maintain its liquidity position and, accordingly, the directors of Top Precise believe that the Top Precise Group's liquidity risk is not significant.

**APPENDIX II FINANCIAL INFORMATION OF THE TOP PRECISE GROUP**

The following table details the Top Precise Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of non-derivative financial liabilities based on the earliest date on which the Top Precise Group can be required to pay. The table includes both interest and principal cash flows.

Liquidity and interest risk tables

	Weighted average interest rate %	Less than 3 months or on demand HK\$'000	3 months to 1 year HK\$'000	1-5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
<b>At 31st March, 2009</b>							
<b>Non-derivative financial liabilities</b>							
Amount due to a fellow subsidiary	7.15	57,569	-	-	-	57,569	57,569
Bank borrowings - variable-rate	1.84	254	3,213	24,308	32,335	60,110	55,200
Bank overdraft	4.45	2,677	-	-	-	2,677	2,677
		<u>60,500</u>	<u>3,213</u>	<u>24,308</u>	<u>32,335</u>	<u>120,356</u>	<u>115,446</u>
<b>At 31st March, 2010</b>							
<b>Non-derivative financial liabilities</b>							
Amount due to a fellow subsidiary	7.00	37,002	-	-	-	37,002	37,002
Bank borrowings - variable-rate	0.73	97	5,540	22,163	26,695	54,495	52,750
Bank overdraft	5.25	24,988	-	-	-	24,988	24,988
		<u>62,087</u>	<u>5,540</u>	<u>22,163</u>	<u>26,695</u>	<u>116,485</u>	<u>114,740</u>
<b>At 31st March, 2011</b>							
<b>Non-derivative financial liabilities</b>							
Amount due to a fellow subsidiary	7.00	36,463	-	-	-	36,463	36,463
Bank borrowings - variable-rate	0.82	97	5,542	43,160	-	48,799	47,500
Bank overdraft	5.00	29,853	-	-	-	29,853	29,853
		<u>66,413</u>	<u>5,542</u>	<u>43,160</u>	<u>-</u>	<u>115,115</u>	<u>113,816</u>
<b>At 30th June, 2011</b>							
<b>Non-derivative financial liabilities</b>							
Amount due to immediate holding company	7.00	313	-	-	-	313	313
Bank borrowings - variable-rate	1.70	385	55,871	43,419	-	99,675	97,500
Bank overdraft	5.25	18,807	-	-	-	18,807	18,807
		<u>19,505</u>	<u>55,871</u>	<u>43,419</u>	<u>-</u>	<u>118,795</u>	<u>116,620</u>

(c) **Fair value**

The fair values of the Top Precise Group's financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of Top Precise consider that the carrying amounts of the Top Precise Group's financial assets and financial liabilities recorded at amortised cost in the Financial Information approximate their fair values.

**APPENDIX II FINANCIAL INFORMATION OF THE TOP PRECISE GROUP**

**18. OPERATING LEASES ARRANGEMENTS**

**The Top Precise Group as lessor**

At the end of the reporting period, the Top Precise Group had contracted with tenants for the following future minimum lease payments which fall due as follows:

	As at 31st March,			As at
	2009	2010	2011	30th June, 2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within one year	2,923	2,923	219	2,923
In the second to fifth year inclusive	3,142	219	-	5,359
	<u>6,065</u>	<u>3,142</u>	<u>219</u>	<u>8,282</u>

Certain investment properties held has committed tenants for one to three years.

**19. RELATED PARTY TRANSACTIONS**

Throughout the Relevant Period, the Top Precise Group entered into transactions with certain related companies as follows:

Class of related party	Nature of transactions	Year ended 31st March,			Three months ended	
		2009	2010	2011	2010	2011
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
					(unaudited)	
A fellow subsidiary	Rental income charged by the Top Precise Group	3,118	3,020	3,020	755	755
	Interest expenses paid by the Top Precise Group	4,772	5,167	4,616	1,363	308
	Management fee paid by the Top Precise Group	-	-	-	-	3,500
Associates of ITC, ITC Properties and its subsidiaries	Rental income charged by the Top Precise Group	2,704	2,923	2,923	731	731
	Management fee income charged by the Top Precise Group	214	231	231	58	58
		<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>

In addition, ITC has given corporate guarantee to secure the entire banking facilities granted to the Top Precise Group throughout the Relevant Period.

There are no compensation paid by the Top Precise Group to key management personnel throughout the Relevant Period.

**B. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements of the Top Precise Group has been prepared in respect of any period subsequent to 30th June, 2011.

Yours faithfully,  
**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong

## 2. MANAGEMENT DISCUSSION AND ANALYSIS OF THE TOP PRECISE GROUP

Set out below is the management discussion and analysis of the Top Precise Group for the three years ended 31st March, 2009, 2010 and 2011 respectively and the three months ended 30th June, 2011 (the “**Relevant Periods**”).

### **Business review**

The principal asset of the Top Precise Group is the Property. Portion of the Property has been leased to the ITCP Group and the remaining portion is currently occupied by the ITC Group for office use.

### **Financial results**

#### *Revenue*

Revenue of the Top Precise Group recorded during the Relevant Periods represents rental income and management fee income.

#### *Profit for the year/ period*

The Top Precise Group recorded profit for the three months ended 30th June, 2011 and for the two years ended 31st March, 2010 and 2011 of approximately HK\$6.1 million, HK\$110.5 million and HK\$46.9 million respectively. A loss of approximately HK\$51.3 million was recorded for the year ended 31st March, 2009.

### **Liquidity and capital resources**

#### *Financial position*

As at 31st March, 2009, 2010 and 2011 and 30th June, 2011, the Top Precise Group had investment properties of approximately HK\$156.0 million, HK\$267.0 million, HK\$313.0 million and HK\$322.0 million respectively. The investment properties were stated at fair value.

The Top Precise Group mainly financed its operations by bank overdraft and borrowings and borrowings from a fellow subsidiary/the immediate holding company. As at 31st March, 2009, 2010 and 2011 and 30th June, 2011, bank overdraft and borrowings amounted to approximately HK\$57.9 million, HK\$77.7 million, HK\$77.4 million and HK\$116.3 million respectively. As at 31st March, 2009, 2010 and 2011, payable to a fellow subsidiary were approximately HK\$57.6 million, HK\$37.0 million and HK\$36.5 million respectively. As at 30th June, 2011, payable to the immediate holding company was approximately HK\$0.3 million.

*Net current liabilities*

As at 31st March, 2009, the Top Precise Group had net current liabilities of approximately HK\$63.1 million. The current assets of approximately HK\$0.1 million represented other debtors, deposits and prepayments and bank balances. The current liabilities of approximately HK\$63.3 million represented creditors and accrued expenses of approximately HK\$0.6 million, amount due to a fellow subsidiary of approximately HK\$57.6 million and bank overdraft and borrowings of approximately HK\$5.1 million.

As at 31st March, 2010, the Top Precise Group had net current liabilities of approximately HK\$67.7 million. The current assets of approximately HK\$0.1 million represented other debtors, deposits and prepayments and bank balances. The current liabilities of approximately HK\$67.8 million represented creditors and accrued expenses of approximately HK\$0.6 million, amount due to a fellow subsidiary of approximately HK\$37.0 million and bank overdraft and borrowings of approximately HK\$30.2 million.

As at 31st March, 2011, the Top Precise Group had net current liabilities of approximately HK\$72.0 million. The current assets of approximately HK\$0.1 million represented other debtors, deposits and prepayments and bank balances. The current liabilities of approximately HK\$72.1 million represented creditors and accrued expenses of approximately HK\$0.5 million, amount due to a fellow subsidiary of approximately HK\$36.5 million and bank overdraft and borrowings of approximately HK\$35.1 million.

As at 30th June, 2011, the Top Precise Group had net current liabilities of approximately HK\$74.9 million. The current assets of approximately HK\$0.1 million represented other debtor and prepayment and bank balance. The current liabilities of approximately HK\$75.0 million represented creditors and accrued expenses of approximately HK\$0.6 million, amount due to immediate holding company of approximately HK\$0.3 million and bank borrowings of approximately HK\$74.1 million.

The bank borrowings and bank balances in the Relevant Periods are all denominated in Hong Kong dollars.

*Gearing ratio*

As at 31st March, 2009, 2010 and 2011 and 30th June, 2011, the gearing ratios of the Top Precise Group, calculated as a percentage of the Top Precise Group's total liabilities to the Top Precise Group's total assets, were approximately 73.7%, 43.2%, 36.5% and 36.4% respectively.



*Securities and guarantees*

Apart from the pledge of the Premises and the Car Parking Spaces 1 as security for the grant of the BEA facility, the Top Precise Group had not made any pledge of or created any security over its assets and had not provided any corporate guarantee as at 31st March, 2009, 2010 and 2011 and 30th June, 2011.

*Contingent liabilities*

As at 31st March, 2009, 2010 and 2011 and 30th June, 2011, the Top Precise Group did not have any contingent liability.

*Exchange rate risk*

As most of the transactions entered into by the Top Precise Group were denominated in Hong Kong dollars, the operations of the Top Precise Group are not subject to significant foreign exchange exposure. Accordingly, no foreign currency hedging policy was used by the Top Precise Group during the Relevant Periods.

*Credit risk*

As at 31st March, 2009, 2010 and 2011 and 30th June, 2011, the Top Precise Group has no significant concentration of credit risk.

*Material acquisition and disposal*

There was no acquisition and/or disposal by the Top Precise Group during the Relevant Periods.

*Future plans for capital assets*

As at 30th June, 2011, the Top Precise Group had no future plan for capital assets.

*Expected sources of funding*

For the three months ended 30th June, 2011 and for the three years ended 31st March, 2009, 2010 and 2011, the Top Precise Group mainly financed its operations by bank overdraft and borrowings and borrowings from a fellow subsidiary/the immediate holding company.

**Staff and remuneration policy**

The Top Precise Group had no employee during the Relevant Periods.

**1. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED ITCP GROUP**

**A. BASIS OF PREPARATION OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED ITCP GROUP**

The following unaudited pro forma consolidated net asset statement of the Enlarged ITCP Group (the “**Unaudited Pro Forma Consolidated Net Asset Statement**”) has been prepared in accordance with paragraph 4.29 of the Listing Rules for the purpose of illustrating the effect of the acquisition of the entire interest in Top Precise (“**Sale Share**”) and the entire amount of shareholder’s loan owing by Top Precise to its immediate holding company (“**Sale Loan**”) (the “**Proposed Transaction**”) on the ITCP Group as if the Proposed Transaction had been completed on 31st March, 2011.

The Unaudited Pro Forma Consolidated Net Asset Statement is prepared based on (i) the audited consolidated statement of financial position of the ITCP Group as at 31st March, 2011 which has been extracted from the ITCP’s annual report for the year then ended published on 15th July, 2011 as set out in Appendix I to this circular; and (ii) the audited consolidated statement of financial position of the Top Precise Group as at 30th June, 2011 as extracted from the accountants’ report thereon set out in Appendix II to this circular, after making pro forma adjustments relating to the Proposed Transaction that are (i) directly attributable to the Proposed Transaction; and (ii) factually supportable as if the Proposed Transaction had been undertaken at the date stated.

The Unaudited Pro Forma Consolidated Net Asset Statement has been prepared by the directors of ITCP for illustrative purposes only and is based on a number of assumptions, estimates and uncertainties. Accordingly, the Unaudited Pro Forma Consolidated Net Asset Statement does not purport to describe the financial position of the Enlarged ITCP Group that would have been attained had the Proposed Transaction was completed at the date stated, nor purport to predict the future financial position of the Enlarged ITCP Group.

APPENDIX III	UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED ITCP GROUP
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## B. PRO FORMA CONSOLIDATED NET ASSET STATEMENT

	ITCP Group at 31st March, 2011 <i>HK\$'000</i>	Top Precise Group at 30th June, 2011 <i>HK\$'000</i>	Sub-total <i>HK\$'000</i>	Pro Forma Adjustments <i>HK\$'000</i>	Notes	Enlarged ITCP Group <i>HK\$'000</i>
<b>Non-current assets</b>						
Property, plant and equipment	10,442	–	10,442	233,292	(c)	243,734
Investment properties under development	540,000	–	540,000			540,000
Investment properties	–	322,000	322,000	(9,000)	(a)	79,708
				(233,292)	(c)	
Available-for-sale investments	44,684	–	44,684			44,684
Interests in joint ventures	1,221	–	1,221			1,221
Interests in associates	398,422	–	398,422			398,422
Unsecured loans and interest due from associates	797,703	–	797,703			797,703
Deposit and expenses paid for acquisition of subsidiaries	362,191	–	362,191			362,191
Other loan receivables	144,583	–	144,583			144,583
	2,299,246	322,000	2,621,246			2,612,246
<b>Current assets</b>						
Inventories	355	–	355			355
Properties held for sale	660,094	–	660,094			660,094
Unsecured loans and interest due from associates	354,991	–	354,991			354,991
Other loan receivables	114,458	–	114,458			114,458
Debtors, deposits and prepayments	359,071	129	359,200			359,200
Financial assets at fair value through profit or loss	126,397	–	126,397			126,397
Amounts due from associates	10,089	–	10,089			10,089
Bank balances and cash	294,755	5	294,760	(96,151)	(b)	198,609
	1,920,210	134	1,920,344			1,824,193
Assets classified as held for sale	343,066	–	343,066			343,066
	2,263,276	134	2,263,410			2,167,259

## APPENDIX III

UNAUDITED PRO FORMA FINANCIAL INFORMATION  
OF THE ENLARGED ITCP GROUP

	ITCP Group at 31st March, 2011 HK\$'000	Top Precise Group at 30th June, 2011 HK\$'000	Sub-total HK\$'000	Pro Forma Adjustments HK\$'000	Notes	Enlarged ITCP Group HK\$'000
<b>Current liabilities</b>						
Creditors, deposits and accrued charges	152,197	676	152,873			152,873
Deposits received for disposal of subsidiaries	526,826	–	526,826			526,826
Amount due to immediate holding company	–	313	313	(313)	(d)	–
Tax payable	20,036	–	20,036			20,036
Convertible note payables – due within one year	987,598	–	987,598			987,598
Obligations under finance leases						
– due within one year	85	–	85			85
Bank overdraft	–	18,807	18,807			18,807
Bank borrowings – due within one year	300,000	55,250	355,250			355,250
	<u>1,986,742</u>	<u>75,046</u>	<u>2,061,788</u>			<u>2,061,475</u>
Liabilities associated with assets classified as held for sale	91,351	–	91,351			91,351
	<u>2,078,093</u>	<u>75,046</u>	<u>2,153,139</u>			<u>2,152,826</u>
Net current assets (liabilities)	<u>185,183</u>	<u>(74,912)</u>	<u>110,271</u>			<u>14,433</u>
Total assets less current liabilities	<u>2,484,429</u>	<u>247,088</u>	<u>2,731,517</u>			<u>2,626,679</u>
<b>Non-current liabilities</b>						
Obligation under finance leases						
– due after one year	195	–	195			195
Bank borrowings – due after one year	100,000	42,250	142,250			142,250
Deferred tax liabilities	1,406	–	1,406			1,406
Note	–	–	–	(100,000)	(b)	100,000
	<u>101,601</u>	<u>42,250</u>	<u>143,851</u>			<u>243,851</u>
	<u>2,382,828</u>	<u>204,838</u>	<u>2,587,666</u>			<u>2,382,828</u>

APPENDIX III	UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED ITCP GROUP
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**C. NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED ITCP GROUP**

- (a) The Proposed Transaction is regarded as acquisition of assets through acquisition of the Top Precise Group, which the major assets of the Top Precise Group are investment properties. The cost of acquisition of the properties for the ITCP Group is estimated as follows:

	<i>HK\$'000</i>
Net Consideration (see note (b) below)	196,151
Add: NTAV (as defined in this circular)	116,849
	313,000
	313,000

The adjustment of HK\$9,000,000 represents the difference between the carrying amount of the investment properties amounting to HK\$322,000,000 recorded in the consolidated statement of financial position of the Top Precise Group as at 30th June, 2011 and the assumed cost of acquisition of the properties of HK\$313,000,000 estimated above.

- (b) The consideration for the Sale Share and the Sale Loan is HK\$313,000,000 plus the NTAV (as defined in this circular) at completion (subject to adjustments) of the Proposed Transaction ("**Completion**"), which shall not exceed HK\$314,000,000. For the purpose of preparing the Unaudited Pro Forma Consolidated Net Asset Statement, the directors of ITCP have assumed no adjustment would be necessary upon Completion.

APPENDIX III	UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED ITCP GROUP
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The adjustments represent consideration satisfied by cash and the issuance of a loan note (“Note”) determined as follows:

	<i>HK\$'000</i>
Consideration	313,000
NTAV	(116,849)
Net consideration	196,151
Satisfied by:	
Note	100,000
Cash	96,151
	196,151

The Note represents a loan note to be issued by the ITCP Group in favour of the vendor or its nominee upon Completion, with a principal amount of HK\$100,000,000 carrying interest at 1% per annum over the prime rate for Hong Kong dollars loan quoted by The Hongkong and Shanghai Banking Corporation Limited payable semi-annually in arrears. The Note will mature 2 years after the date of issuance, i.e. the completion date, or such later date as may be agreed in writing between the issuer and the noteholder. The amount of cash consideration would change depending on the amount of NTAV of the Top Precise Group upon Completion. For the purpose of the preparation of the Unaudited Pro Forma Financial Information of the Enlarged ITCP Group, the principal amount of the Note is assumed to be the fair value of the Note as at 31st March, 2011 upon Completion.

- (c) The adjustment represents reclassification of approximately HK\$233,292,000 from investment properties to property, plant and equipment as certain portion of the properties will be used as its own office by the Enlarged ITCP Group upon Completion.
- (d) The adjustment represents the acquisition of the Sale Loan amounted to HK\$313,000 as part of the Proposed Transaction upon Completion.

## 2. ACCOUNTANT'S REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED ITCP GROUP

*The following is the text of the report, prepared for inclusion in this circular, received from Deloitte Touche Tohmatsu, the independent reporting accountant.*

# Deloitte.

## 德勤

### TO THE DIRECTORS OF ITC PROPERTIES GROUP LIMITED

We report on the unaudited pro forma financial information of ITC Properties Group Limited (“ITCP”) and its subsidiaries (hereinafter collectively referred to as the “ITCP Group”), which has been prepared by the directors of ITCP for illustrative purposes only, to provide information about how the acquisition of the entire interest in Top Precise Investments Limited (“Top Precise”) and its subsidiary, Great Intelligence Limited (hereinafter collectively referred to as the “Top Precise Group”) and the entire amount of shareholder’s loan owing by Top Precise to its immediate holding company, might have affected the financial information presented, for inclusion in Appendix III of the circular dated 26th October, 2011 (the “Circular”). The basis of preparation of the unaudited pro forma financial information is set out on page III-1 to the Circular.

### Respective responsibilities of directors of the ITCP and reporting accountants

It is the responsibility solely of the directors of ITCP to prepare the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants.

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

**Basis of opinion**

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of ITCP. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the directors of ITCP on the basis stated, that such basis is consistent with the accounting policies of the ITCP Group and that the adjustments are appropriate for the purpose of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The unaudited pro forma financial information is for illustrative purpose only, based on the judgments and assumptions of the directors of ITCP, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in future and may not be indicative of the financial position of the ITCP Group as enlarged by the acquisition of the Top Precise Group as at 31st March, 2011 or any future date.

**Opinion**

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled by the directors of ITCP on the basis stated;
- (b) such basis is consistent with the accounting policies of the ITCP Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*

Hong Kong, 26th October, 2011



*The following is the text of a letter and valuation certificate, prepared for the purpose of incorporation in this circular, received from RHL Appraisal Limited, an independent valuer, in connection with its valuation of the Property as at 31st July, 2011.*



永利行評值顧問有限公司  
**RHL Appraisal Limited**  
Corporate Valuation & Advisory

T +852 2730 6212  
F +852 2736 9284

Room 1010, 10/F, Star House  
Tsimshatsui, Hong Kong

26th October, 2011

The Board of Directors  
ITC Properties Group Limited  
Unit 3102, 31/F  
Bank of America Tower  
12 Harcourt Road  
Central  
Hong Kong

Dear Sirs,

**Re: Whole of 30th Floor and four (4) Car Parking Spaces Nos. 4087, 4088, 4089 and 4043 located on the 4th Floor of Bank of America Tower, 12 Harcourt Road, Central, Hong Kong (the "Property")**

We were instructed by ITC Properties Group Limited (referred to as the "**Company**") to value the Property. We confirm that we have carried out property inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the property interest as at 31st July, 2011 (the "**Valuation Date**").

This letter which forms part of our valuation report explains the basis and methodologies of valuation, clarifying assumptions, valuation considerations, title investigation and limiting conditions of this valuation.

#### **BASIS OF VALUATION**

Our valuation of the property interest represents its market value which we would define as intended to mean "the estimated amount for which a property should exchange on the Valuation Date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion".

The market value is the best price reasonably obtainable in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, joint ventures, management agreements, special considerations or concessions granted by anyone associated with the sale, or any element of special value. The market value of the Property is also estimated without regard to costs of sale and purchase, and without offset for any associated taxes.

#### **VALUATION METHODOLOGY**

In our valuation, Direct Comparison Approach is adopted based on the principle of substitution, where comparison is made based on prices realized on actual sales and/or asking prices of comparable properties. Comparable properties of similar size, scale, nature, character and location are analysed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of market value.

#### **VALUATION CONSIDERATIONS**

In valuing the property interest, we have complied with all the requirements contained in Chapter 5 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; and the HKIS Valuation Standards on Properties (First Edition 2005) published by the Hong Kong Institute of Surveyors effective from 1st January, 2005.

#### **VALUATION ASSUMPTIONS**

Unless stated as otherwise, we have assumed that the Property has been constructed, occupied and used in full compliance with, and without contravention of all Ordinances, except only where otherwise stated. We have further assumed that, for any use of the Property upon which this report is based, all required licenses, permit, certificated, and authorizations have been obtained.

#### **TITLE INVESTIGATION**

We have caused searches for the Property. However, we have not examined the original documents to verify the existing title to the Property or any amendment which does not appear on the copies handed to us.

#### **LIMITING CONDITIONS**

We have inspected the exterior and, where possible, the interior of the Property. During the course of our inspections, we did not note any serious defects. However, no structural survey has been made and we are therefore unable to report whether the Property is free from rot infestation or any other defects. No tests were carried out on any of the services.

We have relied to a very considerable extent on the information provided by the Company, in particular, but not limited to, the sales records, tenure, planning approvals, statutory notices, easements, particulars of occupancy, floor areas and all other relevant matters. Dimensions, measurements and areas included in the valuation certificates are based on information contained in copies of documents provided to us and are therefore only approximations.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We have also been advised by the Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on any property or for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

#### CURRENCY

All monetary amounts stated in this report are in Hong Kong dollars (“HKD”).

Our valuation certificate is herewith attached.

Yours faithfully,  
For and on behalf of  
**RHL Appraisal Limited**

**Serena S. W. Lau**

*CHKIS, AAPI, MRICS, RPS(GP), MBA(HKU)*  
*Managing Director*

**Lawrence Y. S. Li**

*MHKIS, RPS (GP), MBA*  
*Senior Associate Director*

*Serena S. W. Lau is a Registered Professional Surveyor (GP) with over 19 years' experience in valuation of properties in HKSAR, Macau SAR, mainland China and the Asia Pacific Region. Ms. Lau is a Professional Member of The Royal Institution of Chartered Surveyors, an Associate of Australian Property Institute, a Fellow of The Hong Kong Institute of Surveyors as well as a registered real estate appraiser in the PRC.*

*Lawrence Y. S. Li is a Registered Professional Surveyor (GP) with over 15 years' post qualification experience from both private and public sectors. Mr. Li has extensive experience in handling valuation of different types of properties for various purposes. Besides, he has possessed solid knowledge and faceted experience in land administration, premium assessment and land grant applications with particular experience in negotiation with the Government departments.*

## VALUATION CERTIFICATE

Property	Description and tenure	Particular of occupancy	Market value in existing state as at 31st July, 2011 HKD
30th Floor and four (4) Car Parking Spaces Nos. 4087, 4088, 4089 and 4043 on the 4th Floor, Bank of America Tower (formerly known as Gammon House) 12 Harcourt Road, Central, Hong Kong	The Property comprises 30th Floor and four (4) Car Parking Spaces on the 4th Floor of a 37-storey office building (including basement but excluding refuge floor) of reinforced concrete completed in about 1975.	As advised by the instructing party, as at the Valuation Date, the Property is partly owner-occupied and partly subject to a tenancy agreement <i>(please refer to note 4 below)</i>	322,000,000
144/10,000th shares of and in Inland Lot No. 8294 (the "Lot")	The gross floor area and the saleable floor area of the Property at 30th Floor is approximately 13,880 sq.ft. and 12,310 sq.ft. respectively.  The Lot is held under Conditions of Sale No. UB10225 for a term of 75 years renewable for 75 years commencing from 29th September, 1972. The current ground rent payable for the Lot is HK\$8,306 per annum.		

## Notes:

- The registered owner of the Property is Great Intelligence Limited vide memorial no. UB9451557 dated 30th December, 2004.
- The Property is subject to the Deed of Mutual Covenant with plans vide memorial no. UB2095606 dated 5th June, 1981 and a supplemental Deed of Mutual Covenant with plan vide memorial no. UB5856626 dated 30th November, 1993.
- Portion of the Property, i.e. 30th Floor and three (3) Car Parking Spaces Nos. 4087, 4088 and 4089 on the 4th Floor, Bank of America Tower (formerly known as Gammon House), 12 Harcourt Road, Central, Hong Kong, is subject to the legal charge/mortgage in favour of The Bank of East Asia, Limited to secure all moneys in respect of general banking facilities vide memorial no. UB9451558 dated 30th December, 2004 and the Assignment of Rentals in favour of The Bank of East Asia, Limited vide memorial no. UB9451559 dated 30th December, 2004.
- Portion of the Property with a gross floor area and saleable floor area of approximately 4,200 sq.ft. and 3,725 sq.ft. respectively at 30th Floor, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong is let to ITC Properties Management Limited with a monthly rental of HK\$243,600 for a term of two (2) years commencing from 28th April, 2011 to 27th April, 2013 exclusive of management fee.

## 1. RESPONSIBILITY STATEMENT

This circular, for which the ITCP Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to ITCP. The ITCP Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS

### (a) Interests of the ITCP Directors or chief executive of ITCP

As at the Latest Practicable Date, the interests and short positions of the ITCP Directors or chief executive of ITCP in the shares, underlying shares or debentures of ITCP or any of its associated corporations (within the meaning of Part XV of the SFO), which (a) were required to be notified to ITCP and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) adopted by ITCP, to be notified to ITCP and the Stock Exchange, were as follows:

#### (i) Interests in the ITCP Shares

Name of the ITCP Director	Long position/ Short position	Capacity	Number of issued ITCP Shares	Approximate percentage of the issued share capital of ITCP (%)
Mr. Cheung Hon Kit (“Mr. Cheung”)	Long position	Beneficial owner	14,202,000	2.51

(ii) *Interests in the share options of ITCP*

Name of the ITCP Director	Date of grant	Option period	Exercise price per ITCP Share (HK\$)	Number of the share options of ITCP	Approximate percentage of the issued share capital of ITCP (%)
Mr. Cheung	29th March, 2010	29th March, 2010 – 28th March, 2014	2.22	3,900,000	0.69
Mr. Chan Fut Yan ("Mr. Chan")	29th March, 2010	29th March, 2010 – 28th March, 2014	2.22	2,900,000	0.51
Mr. Cheung Chi Kit	29th March, 2010	29th March, 2010 – 28th March, 2014	2.22	2,100,000	0.37
Mr. Chan Yiu Lun, Alan	29th March, 2010	29th March, 2010 – 28th March, 2014	2.22	1,500,000	0.27
Mr. Ma Chi Kong, Karl	29th March, 2010	29th March, 2010 – 28th March, 2014	2.22	370,000	0.07
Mr. Wong Chi Keung, Alvin	29th March, 2010	29th March, 2010 – 28th March, 2014	2.22	370,000	0.07
Mr. Kwok Ka Lap, Alva	29th March, 2010	29th March, 2010 – 28th March, 2014	2.22	370,000	0.07
				11,510,000	

Save as disclosed above, as at the Latest Practicable Date, none of the ITCP Directors or chief executive of ITCP had any interests or short positions in the shares, underlying shares or debentures of ITCP or any of its associated corporations (within the meaning of Part XV of the SFO), which (a) were required to be notified to ITCP and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or (c) were required, pursuant to the Model Code adopted by ITCP, to be notified to ITCP and the Stock Exchange.

**(b) Interests of the ITCP Shareholders discloseable pursuant to the SFO**

As at the Latest Practicable Date, so far as was known to the ITCP Directors or chief executive of ITCP based on the register maintained by ITCP pursuant to Part XV of the SFO, the following persons (other than an ITCP Director or chief executive of ITCP) had, or were deemed or taken to have, interests or short positions in the ITCP Shares and underlying ITCP Shares which would fall to be disclosed to ITCP under the provisions of Divisions 2 and 3 of Part XV of the SFO or, were 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 members of the ITCP Group or had any option in respect of such capital:

*(i) Interests in the ITCP Shares*

Name of the ITCP Shareholder	Long position/ Short position	Capacity	Number of issued ITCP Shares	Approximate percentage of the issued share capital of ITCP (%)
Selective Choice Investments Limited ("Selective Choice") (Note 2)	Long position	Beneficial owner	139,583,474 (Note 1)	24.71
ITC Investment Holdings Limited ("ITC Investment") (Note 2)	Long position	Interest of controlled corporation	139,583,474 (Note 1)	24.71
ITC Corporation Limited ("ITC") (Notes 2 and 3)	Long position	Interest of controlled corporation	139,583,474 (Note 1)	24.71
Dr. Chan Kwok Keung, Charles ("Dr. Chan")	Long position	Interest of controlled corporation	139,583,474 (Note 1)	24.71
	Long position	Beneficial owner	6,066,400 (Note 1)	1.07
			145,649,874	25.78
Ms. Ng Yuen Lan, Macy ("Ms. Ng")	Long position	Interest of spouse	145,649,874 (Note 1)	25.78

(ii) *Interests in the underlying ITCP Shares under equity derivatives (as defined in Part XV of the SFO)*

Name of the ITCP Shareholder	Long position/ Short position	Capacity	Number of underlying ITCP Shares (under equity derivatives of ITCP)	Approximate percentage of the issued share capital of ITCP (%)
Selective Choice (Note 2)	Long position	Beneficial owner	32,000,000 (Note 1)	5.66
ITC Investment (Note 2)	Long position	Interest of controlled corporation	32,000,000 (Note 1)	5.66
ITC (Notes 2 and 3)	Long position	Interest of controlled corporation	32,000,000 (Note 1)	5.66
Time Expert Investments Limited ("Time Expert")	Long position	Beneficial owner	135,000,000 (Note 4)	23.90
Dr. Chan	Long position	Interest of controlled corporations	167,000,000 (Notes 1 and 4)	29.56
Ms. Ng	Long position	Interest of spouse	167,000,000 (Notes 1 and 4)	29.56

*Notes:*

- Selective Choice, a wholly-owned subsidiary of ITC Investment, which in turn was a wholly-owned subsidiary of ITC, owned 171,583,474 ITCP Shares (of which 32,000,000 ITCP Shares related to its derivative interest). ITC Investment and ITC were deemed to be interested in 171,583,474 ITCP Shares (of which 32,000,000 ITCP Shares related to their derivative interests) which were held by Selective Choice. Dr. Chan was the controlling shareholder of ITC. Ms. Ng is the spouse of Dr. Chan. Dr. Chan owned 6,066,400 ITCP Shares and was deemed to be interested in 171,583,474 ITCP Shares (of which 32,000,000 ITCP Shares related to his derivative interest) which were held by Selective Choice. Ms. Ng was deemed to be interested in 177,649,874 ITCP Shares (of which 32,000,000 ITCP Shares related to her derivative interest) which were held by Dr. Chan and Selective Choice.
- Mr. Chan, the managing ITCP Director and an executive ITCP Director, is an executive director of ITC and a director of Selective Choice and ITC Investment.
- Mr. Chan Yiu Lun, Alan, an executive ITCP Director, is an executive director of ITC; and Hon. Shek Lai Him, Abraham, *SBS, JP*, the vice chairman of ITCP and an independent non-executive ITCP Director, is an independent non-executive director of ITC.



4. Dr. Chan was taken to have interest in 135,000,000 ITCP Shares which related to his derivative interest held by Time Expert which was wholly-owned by Dr. Chan. Ms. Ng was deemed to be interested in 135,000,000 ITCP Shares which related to her derivative interest held by Time Expert.

(iii) *Other members of the ITCP Group*

As at the Latest Practicable Date, so far as was known to the ITCP Directors or chief executive of ITCP, the following persons (not being an ITCP Director or chief executive of ITCP) were, 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 the other members of the ITCP Group:

Name of subsidiary	Name of shareholder	Approximate percentage of the existing issued share capital/ registered capital (%)
三亞亞龍灣風景高爾夫文化公園有限公司 (Sanya Yalong Bayview Golf Garden Co., Ltd.)	三亞博后經濟開發有限公司	20
Fame State Investment Limited	Le Truong Hien Hoa Chan Siu Chi	20 10
Forever Fame Corporation Limited	Le Truong Hien Hoa Chan Siu Chi	20 10
Guangdong International Marina Club Limited	Pui Mung Ying	20

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the ITCP Directors or chief executive of ITCP based on the register maintained by ITCP pursuant to Part XV of the SFO, no other persons (not being an ITCP Director or chief executive of ITCP) had, or were deemed or taken to have, any interests or short positions in the ITCP Shares or underlying ITCP Shares which were required to be disclosed to ITCP and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, nor were there any persons, 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 members of the ITCP Group or held any option in respect of such capital.

### 3. COMPETING INTERESTS

As at the Latest Practicable Date, the interests of Mr. Cheung, an ITCP Director, and his associates in competing businesses of the ITCP Group were as follows:

Name of company	Nature of competing business	Nature of interest
Rosedale Hotel Holdings Limited and (formerly known as Wing On Travel (Holdings) Limited) and its subsidiaries	Property business and hotel operation in Hong Kong and the PRC	As the chairman and an executive 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 director and 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
Orient Holdings Limited	Property investment in Hong Kong	As a director and shareholder
Link Treasure International Limited	Property investment in Hong Kong	As a director and beneficial shareholder
Silver City Limited	Property investment in Hong Kong	As a director and shareholder
Cosmo Luck Limited	Property investment in Hong Kong	As a beneficial shareholder

<b>Name of company</b>	<b>Nature of competing business</b>	<b>Nature of interest</b>
Ocean Region Limited	Property investment in Hong Kong	As a beneficial shareholder
Treasure Avenue Limited	Property investment in Hong Kong	As a beneficial shareholder
Fu Ying Development Ltd.	Property investment in Hong Kong	As a beneficial shareholder
Best Value International Ltd.	Property investment in Hong Kong	As a beneficial shareholder
Supermate Development Ltd.	Property investment in Hong Kong	As a beneficial shareholder
Lucky Castle Development Ltd.	Property investment in Hong Kong	As a beneficial shareholder
Joinsmart Corporation Ltd.	Property investment in Hong Kong	As a beneficial shareholder
Earn Wealth Capital Investment Ltd.	Property investment in Hong Kong	As a beneficial shareholder
Kun Hang Construction Limited	Property investment in Macau	As a director and shareholder
City Corporation Ltd.	Property investment in Hong Kong	As a shareholder

Mr. Cheung is the chairman of ITCP who is principally responsible for the ITCP Group's strategic planning and management of the operations of the ITCP Board. His role is clearly separated from that of the managing director of ITCP, Mr. Chan, who is principally responsible for the ITCP Group's operation and business development.

In addition, any significant business decision of the ITCP Group is to be determined by the ITCP Board. An ITCP Director who has interest in the subject matter being resolved will abstain from voting. In view of the above, the ITCP Board considers that the interests of Mr. Cheung in other companies will not prejudice his capacity as an ITCP Director or compromise the interests of the ITCP Group and the ITCP Shareholders.

Save as disclosed above, as at the Latest Practicable Date, none of the ITCP Directors or their respective associates was interested in any business apart from the ITCP Group's businesses which competes or is likely to compete, either directly or indirectly, with the businesses of the ITCP Group.

#### 4. OTHER INTERESTS

As at the Latest Practicable Date, none of the ITCP Directors had any direct or indirect interest in any assets which have, since 31st March, 2011 (being the date to which the latest published audited accounts of ITCP were made up), been (i) acquired or disposed of by; or (ii) leased to; or (iii) proposed to be acquired or disposed of by; or (iv) proposed to be leased to, any member of the Enlarged ITCP Group.

None of the ITCP Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the Enlarged ITCP Group.

#### 5. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the ITCP Directors had any existing or proposed service contract with any member of the Enlarged ITCP Group which does not expire or is not determinable by the Enlarged ITCP Group within one year without payment of compensation (other than statutory compensation). Also, their remunerations and benefits in kind receivable will not be directly varied in consequence of any acquisition by the Enlarged ITCP Group.

#### 6. MATERIAL CONTRACTS

The following are contracts (not being contracts entered into in the ordinary course of business) entered into by the members of the Enlarged ITCP Group within the two years immediately preceding the Latest Practicable Date and which are or may be material:

- (a) the agreement dated 5th November, 2009 entered into between ITC (China) Properties Group Limited (“**ITC China**”) and 貴州宏能溫泉旅遊開發有限公司 (Guizhou Hong Neng Hot Spring Resort Tourism Development Company Limited) (“**Hong Neng**”) in relation to the formation of 貴州宏德商務諮詢有限公司 (Guizhou Hong De Business Consulting Co., Ltd.) (the “**JV Company**”) pursuant to which ITC China would make capital contribution commitment of RMB45.0 million (equivalent to approximately HK\$51.1 million);
- (b) the agreement dated 15th December, 2009 entered into among, inter alia, ITC Properties (China) Limited (formerly known as Macau Prime Property (China) Limited) (“**ITCP (China)**”), an indirect wholly-owned subsidiary of ITCP as purchaser and Bright Sino Profits Limited as vendor in relation to the acquisition of 92% of the issued share capital of Newskill Investments Limited (“**Newskill**”) and (if any) the corresponding shareholders’ loans at an aggregate cash consideration of approximately HK\$883.2 million;

- (c) the agreement dated 15th December, 2009 entered into between ITCP (China) as purchaser and Congo Trading Limited as vendor in relation to the acquisition of 8% of the issued share capital of Newskill and (if any) the corresponding shareholders' loans at an aggregate cash consideration of approximately HK\$76.8 million;
- (d) the joint venture agreement dated 23rd December, 2009 entered into between ITC China and Hong Neng pursuant to which ITC China agreed to increase its capital contribution to the JV Company by RMB45.0 million;
- (e) the memorandum of understanding dated 6th January, 2010 entered into between ITC China and Hong Neng in relation to the proposed increase in contributions to the JV Company pursuant to which the maximum additional capital contribution of ITC China in the JV Company would be RMB135.0 million (equivalent to approximately HK\$153.4 million);
- (f) the subscription agreement dated 5th February, 2010 entered into among ITC Golf & Leisure Group Limited ("**ITC Golf**"), an indirect wholly-owned subsidiary of ITCP, Ocean Growth Enterprises Limited ("**Ocean Growth**"), 貴州宏能投資有限公司 (Guizhou Hong Neng Investment Company Limited) ("**Hong Neng Investment**") and Business Action Holdings Limited ("**Business Action**") in relation to the subscription of new shares in the share capital of Business Action pursuant to which ITC Golf contributed approximately HK\$3,500 for the shares subscription in Business Action;
- (g) the shareholders' agreement dated 5th February, 2010 entered into among ITC Golf, Ocean Growth, Hong Neng Investment and Business Action to provide for the basis on which the Business Action group companies shall be operated, managed and administered pursuant to which ITC Golf would receive the loan repayment of approximately HK\$27.7 million from Business Action;
- (h) the amending agreement dated 2nd March, 2010 entered into between ITC China and Hong Neng in relation to the joint venture agreement referred to in item (d) above pursuant to which ITC China further agreed to increase its capital contribution to the JV Company by RMB90.0 million;
- (i) the placing agreement dated 19th May, 2010 (the "**Placing Agreement 1**") entered into between ITCP as issuer and CCB International Capital Limited as placing agent (the "**Placing Agent**") in relation to the placing of up to 94,000,000 new shares of HK\$0.01 each in the share capital of ITCP at a price of HK\$1.60 per placing share by the Placing Agent on a best effort basis pursuant to the terms of the Placing Agreement 1 (the "**Placing 1**") and the net proceeds from the Placing 1 (after deduction of expenses) amounted to approximately HK\$146.1 million;

- (j) the agreement dated 21st July, 2010 entered into between Everight Investment Limited (“**Everight**”), an indirect wholly-owned subsidiary of ITCP as vendor, and Million Cube Limited as purchaser in relation to the disposal of 65% of the issued share capital of Paragon Winner Company Limited (“**Paragon Winner**”) and 65% of Everight’s loan to Paragon Winner and its subsidiaries at the aggregate consideration of approximately HK\$746.3 million (translated at the specified exchange rate from RMB650.0 million) (subject to adjustments);
- (k) the agreement dated 29th September, 2010 entered into among ITC Properties Holdings Group Limited, a direct wholly-owned subsidiary of ITCP as vendor, ITCP as vendor’s guarantor, Vigorous World Limited as purchaser and Hanny Holdings Limited as purchaser’s guarantor in relation to the disposal of 50% of the issued share capital of ITCP (China) and (if any) the corresponding shareholders’ loans at an aggregate consideration of HK\$480.0 million (subject to adjustments);
- (l) the offer letters dated 25th February, 2011, 8th March, 2011 and 28th March, 2011 sent by ITCP to the holders of the 1% convertible notes due on 15th June, 2011 (the “**2011 Notes**”) issued by ITCP in an aggregate outstanding principal amount of HK\$906,000,000 (other than the noteholder in the United States of America) in relation to the repurchase of the 2011 Notes at the sum of the outstanding principal amount with 10% redemption premium payable by ITCP at maturity and the corresponding acceptance tendered by the holders of the 2011 Notes with an aggregate principal amount of HK\$535,500,000;
- (m) the placing agreement dated 15th April, 2011 (the “**Placing Agreement 2**”) entered into between ITCP as issuer and the Placing Agent as placing agent in relation to the placing of the 3.25% convertible notes in the maximum aggregate principal amount of HK\$407,550,000 (if certain conditions precedent are fulfilled) or HK\$704,550,000 (if certain conditions precedent are not fulfilled) on a best effort basis pursuant to the Placing Agreement 2 (the “**Placing 2**”) and the net proceeds from the Placing 2 (after deduction of expenses) amounted to approximately HK\$29.0 million;
- (n) the joint venture agreement dated 28th June, 2011 entered into between Global Wave Group Limited (“**Global Wave**”), an indirect wholly-owned subsidiary of ITCP, TC Capital Group Limited and Golden Fruit Limited (“**Golden Fruit**”) in relation to the formation of Golden Fruit pursuant to which Global Wave agreed to contribute the maximum amount of up to HK\$30,000,390 to Golden Fruit;

- (o) the sale and purchase agreement dated 7th July, 2011 entered into between the Purchaser as vendor and Greatward Limited, an indirect wholly-owned subsidiary of CSI Properties Limited as purchaser in relation to the disposal of 50% of the issued share capital of Vastness Investment Limited (“**Vastness**”) and 50% of the entire amount of the shareholder’s loan due by Vastness to the Purchaser at an aggregate consideration of HK\$337.0 million; and
- (p) the Agreement.

## 7. LITIGATION

As at the Latest Practicable Date, there was no litigation or claim of material importance known to the ITCP Directors to be pending or threatened against any members of the Enlarged ITCP Group.

## 8. EXPERTS AND CONSENTS

Set out below are the qualification of the experts who have been named in this circular or have given opinion or advice which are contained in this circular:

<b>Name</b>	<b>Qualification</b>
Deloitte Touche Tohmatsu (“ <b>DTT</b> ”)	Certified Public Accountants
First Shanghai	A licensed corporation under the SFO to carry on type 6 (advising on corporate finance) regulated activity
RHL Appraisal Limited (“ <b>RHL</b> ”)	Independent professional valuer

Each of DTT, First Shanghai and RHL has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, none of DTT, First Shanghai or RHL had any shareholding, directly or indirectly, in any members of the Enlarged ITCP Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any members of the Enlarged ITCP Group.

As at the Latest Practicable Date, none of DTT, First Shanghai or RHL had any direct or indirect interests in any assets which had been, since 31st March, 2011 (being the date to which the latest published audited accounts of ITCP were made up), (i) acquired or disposed of by; or (ii) leased to; or (iii) proposed to be acquired or disposed of by; or (iv) proposed to be leased to, any members of the Enlarged ITCP Group.

**9. MATERIAL ADVERSE CHANGE**

The ITCP Directors are not aware of any material adverse change in the financial and trading position of the ITCP Group since 31st March, 2011, being the date to which the latest published audited accounts of ITCP were made up.

**10. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection during normal business hours at 31st Floor, Paul Y. Centre, 51 Hung To Road, Kwun Tong, Kowloon, Hong Kong from the date of this circular and up to and including the date of the ITCP SGM:

- the memorandum of association and the bye-laws of ITCP;
- the memorandum and articles of association of Top Precise;
- the published annual reports of ITCP for each of the two financial years ended 31st March, 2010 and 2011;
- the letter of recommendation from the ITCP IBC, the text of which is set out on page 18 of this circular;
- the letter of advice from First Shanghai, the text of which is set out on pages 19 to 35 of this circular;
- the accountant’s report on the Top Precise Group, the text of which is set out in Appendix II to this circular;
- the accountant’s report from DTT on the unaudited pro forma financial information of the Enlarged ITCP Group, the text of which is set out in Appendix III to this circular;
- the valuation report from RHL on the Property, the text of which is set out in Appendix IV to this circular;
- the letters of consent referred to in the paragraph headed “Experts and consents” in this appendix;
- the material contracts referred to in the paragraph headed “Material contracts” in this appendix; and
- a copy of each circular of ITCP issued pursuant to the requirements set out in Chapter 14 and/or 14A of the Listing Rules since 31st March, 2011.



**11. MISCELLANEOUS**

- The company secretary of ITCP is Ms. Yan Ha Hung, Loucia. She holds a master's degree in business administration (*MBA*). She is an Associate Member (Practitioner's Endorsement) of both The Hong Kong Institute of Chartered Secretaries (*ACS*) and The Institute of Chartered Secretaries and Administrators (*ACIS*).
- The registered office of ITCP is at Clarendon House, Church Street, Hamilton HM 11, Bermuda.
- The principal place of business of ITCP in Hong Kong is situated at Unit 3102, 31st Floor, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong.
- The branch share registrar and transfer office of ITCP in Hong Kong is Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- The English texts of this circular, the notice of the ITCP SGM and the accompanying form of proxy prevail over their respective Chinese texts.

## NOTICE OF THE ITCP SGM



德祥地產集團有限公司\*

**ITC PROPERTIES GROUP LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code : 199)**

**NOTICE IS HEREBY GIVEN** that a special general meeting of **ITC Properties Group Limited** (the "**Company**") will be held at Shop B27, Basement, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong on Friday, 11th November, 2011 at 11:00 a.m. for the purpose of considering and, if thought fit, passing with or without modifications the following resolution as an ordinary resolution of the Company:

### **ORDINARY RESOLUTION**

**"THAT**

- (a) the sale and purchase agreement dated 9th September, 2011 (the "**Agreement**") entered into between ITC Properties (Hong Kong) Limited (the "**Purchaser**"), an indirect wholly-owned subsidiary of the Company, and Hero's Way Resources Ltd. (the "**Vendor**") (a copy of which, together with (i) the draft loan note in the principal amount of HK\$100.0 million to be issued by the Purchaser to the Vendor or its nominee in partial settlement of the consideration (the "**Note**") and (ii) the draft tenancy agreement to be entered into between Great Intelligence Limited, a wholly-owned subsidiary of Top Precise Investments Limited ("**Top Precise**"), as landlord and ITC Management Limited as tenant in relation to the leasing of portion of the premises on the 30th Floor and two (2) car parking spaces at Bank of America Tower, 12 Harcourt Road, Central, Hong Kong (the "**Tenancy Agreement**") upon completion of the Agreement annexed, signed by the Chairman of the meeting for the purpose of identification, has been produced to the meeting marked "**A**") pursuant to which the Vendor agrees to sell all the issued share capital of Top Precise held by the Vendor and the entire amount of the shareholder's loan due by Top Precise to the Vendor at the date of completion, the terms and conditions thereof and the transactions contemplated thereunder (including the issue of the Note and entering into of the Tenancy Agreement) be and are hereby approved, confirmed and ratified; and

\* For identification purpose only

## NOTICE OF THE ITCP SGM

- (b) the board of the directors of the Company (the “**Board**”) be and is hereby authorised to do all such acts and things and sign all such documents and to take such steps as it considers necessary or expedient or desirable in connection with or to give effect to the Agreement and to implement the transactions contemplated thereunder and to agree to such variation, amendment or waiver as are, in the opinion of the Board, in the interests of the Company.”

By order of the Board  
**ITC Properties Group Limited**  
**Yan Ha Hung, Loucia**  
*Company Secretary*

Hong Kong, 26th October, 2011

*Registered office:*  
Clarendon House  
Church Street  
Hamilton HM 11  
Bermuda

*Principal place of business in Hong Kong:*  
Unit 3102, 31st Floor  
Bank of America Tower  
12 Harcourt Road  
Central  
Hong Kong

*Notes:*

1. Any shareholder of the Company entitled to attend and vote at the meeting of the Company may appoint another person as his proxy to attend and vote instead of him. A shareholder of the Company who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at the meeting. A proxy need not be a shareholder of the Company. In addition, a proxy or proxies representing either a shareholder of the Company who is an individual or a shareholder of the Company which is a corporation shall be entitled to exercise the same power on behalf of the shareholder of the Company which he or they represent as such shareholder of the Company could exercise.
2. The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same. In the case of an instrument of proxy purporting to be signed on behalf of a corporation by an officer thereof, it shall be assumed, unless the contrary appears, that such officer was duly authorised to sign such instrument of proxy on behalf of the corporation without further evidence of the facts.
3. The instrument appointing a proxy and (if required by the Board) the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, shall be delivered to the branch share registrar and transfer office of the Company in Hong Kong, Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong, not less than 48 hours before the time appointed for the holding of the meeting or any adjourned meeting thereof at which the person named in the instrument proposes to vote and, in default, the instrument of proxy shall not be treated as valid.
4. Completion and return of an instrument appointing a proxy shall not preclude a shareholder of the Company from attending and voting in person at the meeting or on the poll concerned and, in such event, the instrument appointing a proxy shall be deemed to have been revoked.

## NOTICE OF THE ITCP SGM

5. Where there are joint holders of any share of the Company, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at the meeting the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

As at the date of this notice, the directors of the Company are:

*Executive Directors:*

Mr. Cheung Hon Kit (*Chairman*)  
Mr. Chan Fut Yan (*Managing Director*)  
Mr. Cheung Chi Kit  
Mr. Chan Yiu Lun, Alan

*Non-executive Director:*

Mr. Ma Chi Kong, Karl

*Independent non-executive Directors:*

Hon. Shek Lai Him, Abraham, SBS, JP (*Vice Chairman*)  
Mr. Wong Chi Keung, Alvin  
Mr. Kwok Ka Lap, Alva