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德祥地產集團有限公司*

ITC PROPERTIES GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 199)

**INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2013**

RESULTS

The board of directors (the “**Board**”) of ITC Properties Group Limited (the “**Company**”) is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30th September, 2013, together with the comparative figures for the corresponding period in 2012.

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2013**

	Notes	Six months ended 30.9.2013 HK\$'000 (unaudited)	30.9.2012 HK\$'000 (unaudited)
Continuing operations			
Turnover			
— Gross proceeds	3	<u>16,336</u>	<u>13,872</u>
Revenue	3	<u>16,336</u>	<u>13,872</u>
Property sales and rental income		2,777	1,386
Direct cost relating to rental income		(124)	—
Gross profit		2,653	1,386
Income from loan financing		13,559	12,486
Net gain on financial instruments		31,442	51,929
Other income, gains and losses		11,129	26,966
Increase in fair value of investment properties		8,093	24,099
Gain on disposal of an investment property	4	145,953	—
Gain on disposal of a joint venture	5	69,791	—
Administrative expenses		(65,168)	(51,991)
Finance costs	6	(38,709)	(64,908)
Share of results of associates		(25,610)	(21,326)
Share of results of joint ventures		(32,039)	(15,919)
Profit (loss) before taxation		121,094	(37,278)
Taxation	7	(23,945)	—
Profit (loss) for the period from continuing operations		<u>97,149</u>	<u>(37,278)</u>
Discontinued operation			
Profit for the period from discontinued operation	8	—	442,040
Profit for the period	9	<u>97,149</u>	<u>404,762</u>

* For identification purpose only

	Six months ended	
	30.9.2013	30.9.2012
<i>Note</i>	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit (loss) attributable to owners of the Company		
— from continuing operations	97,359	(37,209)
— from discontinued operation	<u>—</u>	<u>442,040</u>
Profit for the period attributable to owners of the Company	<u>97,359</u>	<u>404,831</u>
Loss for the period attributable to non-controlling interests from continuing operations	<u>(210)</u>	<u>(69)</u>
	<u>97,149</u>	<u>404,762</u>
Profit for the period attributable to:		
Owners of the Company	97,359	404,831
Non-controlling interests	<u>(210)</u>	<u>(69)</u>
	<u>97,149</u>	<u>404,762</u>
Earnings (loss) per share	<i>11</i>	
From continuing and discontinued operations		
— Basic (HK dollar)	<u>0.17</u>	<u>1.06</u>
— Diluted (HK dollar)	<u>0.17</u>	<u>1.06</u>
From continuing operations		
— Basic (HK dollar)	<u>0.17</u>	<u>(0.10)</u>
— Diluted (HK dollar)	<u>0.17</u>	<u>(0.10)</u>

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2013

	Six months ended	
	30.9.2013	30.9.2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Profit for the period	<u>97,149</u>	<u>404,762</u>
Other comprehensive expenses		
Items that may be subsequently reclassified to profit or loss:		
Net (loss) gain on fair value changes of available-for-sale investments	(22,016)	3,207
Exchange differences arising on translation of foreign operations	6,996	(2,978)
Share of translation reserve of associates and joint ventures	(259)	1,090
Reclassification adjustment to profit or loss upon losing control over subsidiaries	<u>–</u>	<u>(18,298)</u>
Other comprehensive expenses for the period	<u>(15,279)</u>	<u>(16,979)</u>
Total comprehensive income for the period	<u>81,870</u>	<u>387,783</u>
Total comprehensive income for the period attributable to:		
Owners of the Company	82,080	387,852
Non-controlling interests	<u>(210)</u>	<u>(69)</u>
	<u>81,870</u>	<u>387,783</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30TH SEPTEMBER, 2013

	<i>Notes</i>	30.9.2013 HK\$'000 (unaudited)	31.3.2013 <i>HK\$'000</i> (restated)
Non-current assets			
Property, plant and equipment		227,697	232,339
Investment properties		373,000	1,001,000
Available-for-sale investments		369,652	362,830
Investment in convertible note		31,759	29,448
Interests in joint ventures		615,172	423,106
Amounts due from joint ventures		274,905	216,902
Interests in associates		373,393	348,197
Unsecured loans and interest due from associates		109,712	157,501
Other loan receivables		14,510	29,156
		<u>2,389,800</u>	<u>2,800,479</u>
Current assets			
Properties held for sale		1,168,274	1,156,705
Other loan receivables		329,250	281,566
Debtors, deposits and prepayments	12	449,298	676,879
Financial assets at fair value through profit or loss		247,709	137,025
Amounts due from associates		442	1,750
Bank balances and cash		634,769	415,433
		<u>2,829,742</u>	<u>2,669,358</u>
Assets classified as held for sale		–	140,209
		<u>2,829,742</u>	<u>2,809,567</u>
Current liabilities			
Creditors, deposits and accrued charges	13	854,019	1,006,134
Deposits received for disposal of subsidiaries		350,000	350,000
Tax payables		136,668	104,529
Convertible note payables — due within one year		89,173	530,347
Loan notes — due within one year		–	50,000
Obligations under finance leases			
— due within one year		76	82
Bank borrowings — due within one year		201,033	338,565
		<u>1,630,969</u>	<u>2,379,657</u>
Net current assets		<u>1,198,773</u>	429,910
Total assets less current liabilities		<u>3,588,573</u>	3,230,389

	30.9.2013 <i>HK\$'000</i> (unaudited)	31.3.2013 <i>HK\$'000</i> (restated)
Non-current liabilities		
Loan notes — due after one year	225,583	342,153
Obligations under finance leases — due after one year	236	155
Bank borrowings — due after one year	31,750	31,750
Deferred tax liabilities	1,406	9,161
	<u>258,975</u>	<u>383,219</u>
	<u>3,329,598</u>	<u>2,847,170</u>
Capital and reserves		
Share capital	6,427	4,058
Reserves	3,324,111	2,843,308
	<u>3,330,538</u>	<u>2,847,366</u>
Equity attributable to owners of the Company	(940)	(196)
Non-controlling interests	<u>3,329,598</u>	<u>2,847,170</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2013

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” and other relevant HKAS and interpretations and Hong Kong Financial Reporting Standards (“**HKFRS(s)**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). The condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31st March, 2013, which have been prepared in accordance with HKFRSs

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for investment properties and certain financial instruments, which are measured at fair values.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30th September, 2013 are the same with those followed in the preparation of the Group’s annual financial statements for the year ended 31st March, 2013 except as described below and that in the current interim period, the Group has applied, for the first time, certain new or revised HKFRSs issued by the HKICPA that are mandatorily effective for the current period.

In the current interim period, the Group has applied for the first time of HKFRS 10, HKFRS 11, HKFRS 12 and HKAS 28 (as revised in 2011) together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding the transitional guidance. Except as described below, the application of the new and revised HKFRSs has no material effect on the condensed consolidated financial statements.

Impact of the application of HKFRS 10

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and HK(SIC) — Int 12 Consolidation — Special Purpose Entities. HKFRS 10 changes the definition of control such that an investor has control over an investee when (a) it has power over the investee; (b) it is exposed, or has rights, to variable returns from its involvement with the investee; and (c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee.

The directors of the Company made an assessment as at the date of initial application of HKFRS 10 (i.e. 1st April, 2013) as to whether or not the Group has control over its group companies, associates and joint ventures in accordance with the new definition of control and the related guidance set out in HKFRS 10. The directors of the Company concluded that the Company has had control over its subsidiaries since the Company has ability to use its power over the subsidiaries, rights to variable returns from its involvement with the subsidiaries and to affect the return of the subsidiaries.

The directors of the Company also reviewed and assessed the classification of the Group’s investments in associates and joint ventures and concluded that the Group’s investments in Guangzhou Jierong Real Estate Development Company Limited (廣州捷榮房地產開發有限公司) (“**Guangzhou Jierong**”), which was previously classified as a jointly controlled entity under HKAS 31 and accounted for using the equity method, should now be accounted for such that its results, assets, liabilities and cash flows are consolidated to the Group, as the Group has the power to direct the relevant activities of the entity to affect the amount of returns. The change in accounting of the Group’s investment in Guangzhou Jierong has been applied in accordance with the relevant transitional provisions set out in HKFRS 10. Comparative amounts for 2013 have been restated to reflect the change in accounting for the Group’s investment in Guangzhou Jierong.

Summary of the effect of the above changes in accounting policy

The effect of the change in accounting policy described above on condensed consolidated statement of the financial positions of the Group as at the end of the immediately preceding financial year, i.e. 31st March 2013, is as follow:

	At 31st March, 2013 (previously stated) <i>HK\$'000</i>	Effect of application of HKFRS 10 <i>HK\$'000</i>	At 31st March, 2013 (restated) <i>HK\$'000</i>
Property, plant and equipment	232,148	191	232,339
Interests in joint ventures	1,406,648	(983,542)	423,106
Properties held for sale	88,972	1,067,733	1,156,705
Debtors, deposits and prepayments	508,525	168,354	676,879
Bank balances and cash	414,359	1,074	415,433
Creditors, deposits and accrued charges	(752,324)	(253,810)	(1,006,134)

There is no significant impact on the condensed consolidated statement of profit or loss, condensed consolidated statement of profit or loss and other comprehensive income and basic and diluted earnings per share due to the above change in accounting policy for the six months ended 30th September, 2012.

3. SEGMENT INFORMATION

The Group's operating segments, based on information reported to the chief operating decision maker (the "CODM"), the executive directors of the Company, for the purpose of resource allocation and performance assessment, are as follows:

Property	— development of and investment in properties
Golf and leisure	— development and operation of golf resort and hotel
Securities investments	— trading and investment of securities
Finance	— provision of loan financing services

The segment of "Golf and leisure" reported below for the six months ended 30th September, 2012 includes the result of discontinued operation of Paragon Winner Group (as defined in note 8) of which Paragon Winner Company Limited ("Paragon Winner") becomes a joint venture in May 2012 as set out in note 8, as the CODM continuously reviewed this segment information for the purpose of resources allocation and performance assessment.

Information regarding these segments is reported below.

For the six months ended 30th September, 2013

	Turnover HK\$'000	Segment revenue HK\$'000	Operating profit (loss) HK\$'000	Share of results of associates HK\$'000	Share of results of joint ventures HK\$'000	Finance costs HK\$'000	Segment results: profit (loss) before taxation HK\$'000
Property	2,777	2,777	149,489	(25,610)	(9,019)	(2,040)	112,820
Golf and leisure	-	-	(4,322)	-	(12,505)	-	(16,827)
Securities investments	-	-	31,938	-	-	-	31,938
Finance	13,559	13,559	83,547	-	-	-	83,547
SEGMENT TOTAL	16,336	16,336	260,652	(25,610)	(21,524)	(2,040)	211,478
Unallocated	-	-	(43,200)	-	(10,515)	(36,669)	(90,384)
GROUP TOTAL	16,336	16,336	217,452	(25,610)	(32,039)	(38,709)	121,094

For the six months ended 30th September, 2012

	Turnover HK\$'000	Segment revenue HK\$'000	Operating profit (loss) HK\$'000	Share of results of associates HK\$'000	Share of results of joint ventures HK\$'000	Finance costs HK\$'000	Segment results: profit (loss) before taxation HK\$'000
Property	1,386	1,386	43,258	(21,326)	2,682	(744)	23,870
Golf and leisure	2,038	2,038	513,178	-	(8,417)	-	504,761
Securities investments	-	-	52,843	-	-	-	52,843
Finance	12,486	12,486	10,654	-	-	-	10,654
SEGMENT TOTAL	15,910	15,910	619,933	(21,326)	(5,735)	(744)	592,128
Unallocated	-	-	(38,962)	-	(10,184)	(64,164)	(113,310)
GROUP TOTAL	15,910	15,910	580,971	(21,326)	(15,919)	(64,908)	478,818

The CODM assesses the performance of the operating segments based on the profit (loss) before taxation of the group entities engaged in the respective segment activities which represents the segment result. Financial information provided to the CODM is measured in a manner consistent with the accounting policies adopted in the preparation of the condensed consolidated financial statements.

4. GAIN ON DISPOSAL OF AN INVESTMENT PROPERTY

On 28th December, 2012, the Group entered into a sale and purchase agreement with Smart Tide Limited (“**Smart Tide**”), an independent third party and a wholly-owned subsidiary of CSI Properties Limited (“**CSI**”), for the disposal of an investment property under development held by the Group at a consideration of HK\$830,000,000.

The disposal has been completed in August, 2013 and a gain on disposal of an investment property of HK\$145,953,000 is recognised in the condensed consolidated statement of profit or loss for the six months ended 30th September, 2013.

5. GAIN ON DISPOSAL OF A JOINT VENTURE

On 23rd November, 2012, the Group entered into a sale and purchase agreement with Angel Moon Limited (“**Angel Moon**”) for the disposal of its entire interests in Sea Orient Limited (“**Sea Orient**”), at a consideration of HK\$210,000,000. Sea Orient was then held as to 40% by the Group and 60% by Angel Moon which sole assets comprising of various RMB-denominated receivables and the relevant securities owned by Guangdong International Trust and Investment Corporation, an independent third party and a stated-owned enterprise of the PRC. The disposal has been completed in June 2013 and a gain on disposal of a joint venture of HK\$69,791,000 is recognised in the condensed consolidated statement of profit or loss for the six months ended 30th September, 2013.

6. FINANCE COSTS

	Six months ended	
	30.9.2013 HK\$'000	30.9.2012 HK\$'000
Effective interest on convertible note payables	12,777	38,448
Effective interest on loan notes	23,886	25,708
Interest on bank borrowings wholly repayable within five years	4,711	4,194
Interest on obligations under finance leases	6	8
	<hr/>	<hr/>
Total borrowing costs	41,380	68,358
Less: amounts capitalised on investment properties under development	(2,671)	(3,450)
	<hr/>	<hr/>
	38,709	64,908

7. TAXATION

	Six months ended	
	30.9.2013 HK\$'000	30.9.2012 HK\$'000
Continuing operations		
Hong Kong Profits Tax	31,700	–
Deferred tax credit	(7,755)	–
	<hr/>	<hr/>
	23,945	–
Discontinued operation		
Overseas taxation	–	74,170
Deferred tax credit	–	(114)
	<hr/>	<hr/>
	–	(74,056)

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both periods.

The income tax expense is recognised based on the management's best estimate of the weighted average annual income tax rate expected for the full financial year. Taxation arising in the People's Republic of China (the "PRC") was recognised based on the estimated average annual tax rate of 10% for the six months ended 30th September, 2012.

8. LOSS OF CONTROL OVER SUBSIDIARIES

Upon completion taking place on 31st May, 2012 (the "Completion") of the sale and purchase agreement (the "S&P Agreement") entered into between the Group as vendor and Million Cube Limited as purchaser (the "Purchaser") dated 2nd April, 2012, the Group disposed of 65% interest (the "Transaction") in Paragon Winner for approximately HK\$758,713,000 and at the same time provided a loan (the "Loan") of approximately HK\$205,683,000 to the Purchaser to facilitate the completion of the Transaction. As a condition of the security documents (the "Security Documents") of the Loan, 20% of the issued shares (the "Pledged Shares") of and shareholder's loans (the "Pledged Loan") due by Paragon Winner as owned by the Purchaser were pledged thereon. Since the Purchaser eventually failed to repay the Loan on the loan maturity date of 31st July, 2012, a deed of settlement (the "Settlement Deed") was entered into between the Group and the Purchaser on 19th September, 2012 such that the Pledged Shares and the Pledged Loan were transferred and assigned to the Group as full and final settlement of the Loan.

After reviewing all the economic effects, terms and conditions of the S&P Agreement, the Loan Agreement, the Security Documents and the Settlement Deed, it was deemed that effectively 45% interest in Paragon Winner was disposed of by the Group to the Purchaser on Completion. Although the Group eventually owns 55% interest in Paragon Winner after the Settlement Deed, Paragon Winner was accounted for as a joint venture of the Group since pursuant to the shareholders' agreement entered among the Group, the Purchaser and Paragon Winner on 19th September, 2012, the relevant activities of Paragon Winner require the unanimous consent of both the Group and the Purchaser. In this respect, a gain on losing control over subsidiaries of approximately HK\$521,716,000 was recognised in profit or loss during the period ended 30th September, 2012.

The golf and leisure operations of Paragon Winner and its subsidiaries (the "Paragon Winner Group") are presented as discontinued operation. Accordingly, the Group presents results for the six months ended 30th September, 2012 in the condensed consolidation statement of profit or loss and relevant notes from continuing operations and discontinued operation separately.

The profit from the discontinued operation for the six months ended 30th September, 2012 is analysed as follows:

	<i>HK\$'000</i>
Loss of golf and leisure operations before taxation for the period	(5,620)
Gain on losing control over subsidiaries	521,716
Taxation	(74,056)
	<hr/>
	442,040
	<hr/> <hr/>

9. PROFIT FOR THE PERIOD

Six months ended	
30.9.2013	30.9.2012
HK\$'000	HK\$'000

Profit for the period has been arrived at after charging (crediting):

Continuing operations

Depreciation of property, plant and equipment	5,027	5,180
(Gain) loss on disposal of property, plant and equipment	(6)	274
Bank interest income	(954)	(1,415)
Imputed interest on unsecured loan due from an associate	–	(1,776)
Other interest income	(2,578)	(19,815)
	<u> </u>	<u> </u>

Discontinued operation

Depreciation of property, plant and equipment	–	1,344
Amortisation of premium on prepaid lease payments of leasehold land	–	456
Release of prepaid lease payments of leasehold land	–	94
	<u> </u>	<u> </u>

10. DISTRIBUTION

Six months ended	
30.9.2013	30.9.2012
HK\$'000	HK\$'000

Dividends recognised as distribution during the period:

Final dividend declared for the year ended 31st March, 2013
— HK15.0 cents (2012: HK10.0 cents) per ordinary share

95,576	38,513
<u> </u>	<u> </u>

Final dividend

Cash	79,365	38,513
Scrip dividend	16,211	–
	<u> </u>	<u> </u>

95,576	38,513
<u> </u>	<u> </u>

Dividends declared in respect of the current period:

Interim dividend declared for the current period
— HK6.0 cents (2012: HK5.0 cents) per ordinary share

41,195	19,275
<u> </u>	<u> </u>

The directors of the Company have resolved to pay an interim dividend of HK6.0 cents per share for the period ended 30th September, 2013, which will be payable in cash, and has been calculated by reference to the 686,582,758 issued ordinary shares outstanding as at the date of this announcement.

11. EARNINGS (LOSS) PER SHARE

From continuing and discontinued operations

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	Six months ended	
	30.9.2013	30.9.2012
	HK\$'000	HK\$'000
Earnings for the purpose of basic earnings per share:		
Profit for the period attributable to the owners of the Company	97,359	404,831
Effect of dilutive potential ordinary shares:		
— interest on convertible note payables	<u>12,777</u>	—
Earnings for the purpose of diluted earnings per share	<u><u>110,136</u></u>	<u><u>404,831</u></u>
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	563,110,021	382,045,950
Effect of dilutive potential ordinary shares:		
— convertible note payables	89,565,402	—
— share options	<u>3,797,328</u>	—
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u><u>656,472,751</u></u>	<u><u>382,045,950</u></u>

From continuing operations

The calculation of the basic and diluted earnings (loss) per share attributable to the owners of the Company is based on the following data:

	Six months ended	
	30.9.2013	30.9.2012
	HK\$'000	HK\$'000
Profit (loss) figures are calculated as follows:		
Profit for the period attributable to the owners of the Company	97,359	404,831
Less: profit for the period from discontinued operation	<u>—</u>	<u>(442,040)</u>
Profit (loss) for the purpose of calculating basic and diluted earnings (loss) per share from continuing operations	<u><u>97,359</u></u>	<u><u>(37,209)</u></u>

The denominators used are the same as those detailed above for both basic and diluted earnings (loss) per share.

From discontinued operation

Basic and diluted earning per share for the discontinued operations is HK\$1.16 per share for the period ended 30th September, 2012, which is based on the profit for the period from the discontinued operation of approximately HK\$442,040,000 as set out in note 8.

The denominators used are the same as those detailed above for both basic and diluted earnings (loss) per share.

The calculation of diluted earnings (loss) per share for the six months ended 30th September, 2012 has not assumed the conversion of convertible note payables as their exercise would result in a decrease in loss per share for the continuing operations of the Group and the exercise of the share options as these potential ordinary shares were anti-dilutive as the continuing operations of the Group incurred a loss.

12. DEBTORS, DEPOSITS AND PREPAYMENTS

The Group's credit terms are negotiated at terms determined and agreed with its trade customers. The Group allows an average credit period of 90 days to its trade customers. Included in debtors, deposits and prepayments are trade debtors of approximately HK\$453,000 (31st March, 2013: HK\$Nil).

The following is an ageing analysis of trade debtors, net of allowance for doubtful debts, presented based on the invoice date at the end of the reporting period.

	30.9.2013 <i>HK\$'000</i>	31.3.2013 <i>HK\$'000</i> (restated)
Trade debtors aged:		
0-60 days	445	–
61-90 days	2	–
Over 90 days	6	–
	<u>453</u>	<u>–</u>

13. CREDITORS, DEPOSITS AND ACCRUED CHARGES

There are no trade creditors included in creditors, deposits and accrued charges as at 30th September, 2013 and 31st March, 2013. As a result, no ageing analysis of trade creditors is presented with reference to the invoice date at the end of the reporting period.

INTERIM DIVIDEND

The Board has resolved to pay an interim dividend (the “**Interim Dividend**”) of HK6.0 cents per ordinary share of the Company (the “**Share(s)**”) for the six months ended 30th September, 2013 (six months ended 30th September, 2012: HK5.0 cents) to the shareholders of the Company (the “**Shareholders**”) whose names appear on the register of members of the Company as at the close of business on Friday, 20th December, 2013 and the Interim Dividend is expected to be paid to the Shareholders on or about Friday, 10th January, 2014.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 18th December, 2013 to Friday, 20th December, 2013, both dates inclusive, during which period no transfer of the Shares will be effected. In order to be entitled to the Interim Dividend, all transfers of the Shares accompanied by the relevant share certificates must be lodged with 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 for registration by no later than 4:00 p.m. on Tuesday, 17th December, 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Turnover for the six months ended 30th September, 2013 was HK\$16.3 million, representing an increase of HK\$2.4 million when compared to the same period last year of HK\$13.9 million. Accordingly, gross profit increased from HK\$1.4 million for the same period last year to HK\$2.7 million for the current period.

On 1st August, 2013, the Group completed the disposal of its entire interest in the property situated at Nos. 703 and 705, Nathan Road, Mongkok, Kowloon (the “**Nathan Road Property**”) and recognised a gain of HK\$146.0 million. Since there is no longer any valuation gain from the Nathan Road Property, the Group has recognised an increase in fair value of investment properties of HK\$8.1 million as compared with the corresponding amount of HK\$24.1 million same period last year. In addition, the Group also recognised a gain of HK\$69.8 million during the current period upon completion of disposal of its interest in a joint venture which holds various Renminbi-denominated creditors’ claims and securities against Guangdong International Trust and Investment Corporation. The Group’s share of losses of associates amounting to HK\$25.6 million mainly represented share of the associates’ administrative expenses and other set-up costs since their investment projects were still at the development stages. The Group’s share of losses of joint ventures increased to HK\$32.0 million was mainly attributable to share of operating results of Paragon Winner Company Limited (“**Paragon Winner**”) since it became a joint venture of the Group in May, 2012. Since there is no longer any profit from the discontinued operation for the period as compared with that recorded in the same period last year of approximately HK\$442.0 million representing mainly the gain from the loss of control over Paragon Winner, the Group recorded a profit for the period of HK\$97.1 million as compared to HK\$404.8 million same period last year.

Property

Macau:

The construction works and presales of the residential project in Cotai South, Macau, named “One Oasis” (the “**One Oasis**”) by Empresa De Fomento Industrial E Comercial Concórdia, S.A. (“**Concordia**”), in which the Group has 35.5% effective interest, are progressing as planned. Completion of the construction work of phase 1 (including 5 residential blocks, ancillary car parking spaces and clubhouse) is expected around end of 2013. Concordia is working in full gear to apply for the occupation permit and other relevant government consents for delivery of the units to the buyers. Upon completion of the sale, Concordia will recognize and the Group will share significant profits and substantial cash receipt from the payment of the balance of property price. At present, all typical units in Towers 1 to 12 and special units in Towers 1 to 7 have been presold. The next marketing activity will be for the car parking spaces in Towers 1 to 5 (around December, 2013) and special units in Towers 8 to 12 (around the second quarter of 2014). Presales of the next phases will be subject to the new implementation of the enactments that unfinished flats in Macau can only be presold after fulfillment of certain conditions. Following the huge success of presale achieved, more effort will be put to further upgrade the design and brand-affiliation of the remaining phases as to optimize the sale value.

Hong Kong:

During the period under review, the Group has further acquired 20% interest in an associate which holds the property interest in the basement floor, ground floor, first floor of Golden Centre at No. 94, Yen Chow Street, Sham Shui Po, Kowloon (the “**Golden Centre**”) such that the Group became the largest shareholder holding 50% interest in this associate. Improvement works will be carried out to reposition this shopping arcade as an IT hub.

Other development projects of the Group in Hong Kong are progressing well as planned. More than 80% of the units of the residential development situated at No. 33 Tung Lo Wan Road in which the Group owns 50% interest, named “yoo Residence” (the “**yoo Residence**”) have been presold. The foundation works on both the yoo Residence and the hotel development in Moreton Terrace (the “**Hotel Site**”) have been completed. In addition to the 12 residential units situated at Nos. 41, 43 and 45, Pau Chung Street, To Kwa Wan, Kowloon (the “**To Kwa Wan Property**”) already owned by the Group, an agreement has been entered into in October, 2013 to purchase 1 shop unit at the ground floor. The Group is in the course of applying for compulsory acquisition under The Land (Compulsory Sale for Redevelopment) Ordinance, Chapter 545 of the Laws of Hong Kong. However, acquisition of the remaining 2 shop units is still under negotiation. The Group planned to redevelop the site into a residential tower with lower-level shops.

PRC:

The Group has entered into a sale and purchase agreement with a wholly-owned subsidiary of Hanny Holdings Limited in September 2010 to dispose of 50% interest in the parcel of land, which is situated at the junction of Zhongshan Wu Road (中山五路) and Education Road (教育路) in Yuexiu District (越秀區) (the “**JY1 Land**”), one of the most prime shopping and commercial districts in Guangzhou. Up to the date of this announcement, the fulfillment of certain conditions for the completion is still in process.

In April, 2013, the Group formed a joint venture in which the Group has 50% interest. The sole investment of the joint venture is the property interest in a parcel of land (the “**Fangcun Land**”) situated at Fangcun (芳村) District, Haudiwan, Guangzhou which is intended for commercial and residential development for sale with an aggregate floor area of 730,000 sq. ft.

Outlined below is a summary of the Group's prevailing interest in significant properties held for development/sale/investment at the date of this announcement:

Location	Usage	Group's interest (%)	Attributable gross floor area (sq. ft.)
One Oasis situated at Estrada de Seac Pai Van, Macau	Residential/ Commercial	35.5	1,942,000
Premises situated at 30/F., Bank of America Tower, 12 Harcourt Road, Central, Hong Kong	Office	100	13,880
Hotel Site situated at No. 7 Moreton Terrace, Causeway Bay, Hong Kong	Hotel	100	31,000
yoo Residence situated at No. 33 Tung Lo Wan Road, Causeway Bay, Hong Kong	Residential/ Shops	50	50,000
To Kwa Wan Property situated at Nos. 41, 43 and 45, Pau Chung Street, To Kwa Wan, Kowloon, Hong Kong	Residential/ Commercial	100	9,000
Golden Centre situated at No. 94, Yen Chow Street, Sham Shui Po, Kowloon, Hong Kong	Commercial	50	10,500
JY1 Land situated at the junction of Zhongshan Wu Road and Education Road in Yuexiu District, Guangzhou, the PRC	Commercial	100	690,000
Fangcun Land situated at Fangcun District, Haudiwan, Guangzhou, the PRC	Commercial/ Residential	50	365,000
<i>Situated in:</i>			
Macau			1,942,000
Hong Kong			114,380
PRC			1,055,000
Total			3,111,380

Golf and Leisure

Turnover from the golf and leisure business during the six months ended 30th September, 2013 was HK\$Nil (six months ended 30th September, 2012: HK\$2.0 million) with a segmental loss of HK\$16.8 million (six months ended 30th September, 2012: segmental profit of HK\$504.8 million). The considerable segmental profit for the six months ended 30th September, 2012 was the result of recognition of the disposal of the 45% interest in Paragon Winner as discontinued operation.

Securities Investment

During the six months ended 30th September, 2013, turnover and segmental profit from securities investment were HK\$Nil (six months ended 30th September, 2012: HK\$Nil) and HK\$31.9 million (six months ended 30th September, 2012: HK\$52.8 million) respectively, representing the unrealized gain due to the change in market price of the listed investments. As at the end of the reporting period, the Group had available-for-sale investments and financial assets at fair value through profit or loss in an aggregate sum of HK\$617.4 million, mainly comprised securities listed in Hong Kong and Singapore.

Financing

During the six months ended 30th September, 2013, the Group had interest income from other loan receivables of HK\$13.6 million (six months ended 30th September, 2012: HK\$12.5 million). As at the end of the reporting period, other loan receivables of the Group amounted to HK\$343.8 million.

FINANCIAL REVIEW

The Group maintains a prudent funding and treasury policy with regard to its overall business operations. A variety of credit facilities is maintained to satisfy its commitments and working capital requirements.

The Group monitors its liquidity requirement closely to ensure necessary arrangement for financing are made when appropriate. During the six months ended 30th September, 2013, bank borrowings in aggregate of HK\$4.0 million were drawn down to finance the development of the Hotel Site. As at the period end date, total borrowings from financial institutions amounted to HK\$232.8 million, of which HK\$31.8 million is repayable after one year. There were unused banking facilities of HK\$208.1 million which can be utilised to finance the construction of properties and working capital of the Group.

At 30th September, 2013, the Group has bank and cash balances of HK\$634.8 million which is sufficient to pay off all its indebtedness including bank borrowings of HK\$232.8 million, loan notes of HK\$225.6 million and convertible note payables of HK\$89.2 million. Therefore, the Group has not any gearing on a net debt basis as compared with a gearing ratio of 0.31 as at 31st March, 2013.

During the six months ended 30th September, 2013, convertible note payables of principal amount of HK\$457.2 million have been converted into 217,483,340 shares of the Company such that the Group's shareholders' funds increased by HK\$451.1 million. In addition, the Group has purchased and cancelled loan notes of principal amount of HK\$143.6 million. As a result of the reduction in the borrowings of the Group, the finance costs reduced considerably from HK\$64.9 million for the same period last year to HK\$38.7 million for the period under review.

Other than loan notes of HK\$225.6 million and convertible note payables of HK\$89.2 million as at 30th September, 2013 which are of fixed interest rates, borrowings from financial institutions of the Group are interest-bearing with variable rates. Given the management's anticipation of stable interest rates in the capital market, no hedging instruments were used against any unfavorable interest rate fluctuations.

Most of the assets and liabilities of the Group are denominated in Hong Kong dollars, Renminbi and Macau Pataca, hence the Group's exposure to fluctuations in foreign exchange rates is minimal and no foreign exchange hedging instruments are used.

OUTLOOK

There are some signs of improvement in the economic outlook of certain substantial countries including the United States as a result of the continuing twist in money supply and interest rate. However, the global economy remains vulnerable in particular the speculation of timeline and effect of tapering. There are still many challenges ahead for the global economy.

Macau continues to be one of the fastest growing economies in the region with 10.5% growth in GDP for the first half of 2013 and unemployment rate stays below 2.0% driven by the resilient gaming and tourism sectors. The property market, in particular the second hand market, remains quiet in trading but the property price continues to rise since real estates are the major investment target for the local residents as their household income increases. The Group is well-positioned to share the enormous gain from Concordia as the construction of One Oasis is completed by phases commencing next year.

The policy measures imposed by the Hong Kong Government still influence the local market with a halt to the steaming hot property market. The property developers gradually accustom themselves to the new law regulating the sales arrangement and transactions of first-hand residential properties enforced in April, 2013. There are some pickups in first-hand properties sales in the last quarter of 2013. While the stringent measures will be effective in curbing short-term and foreign demand, with housing supply still lagging behind, anticipated low interest rate environment in the coming years and steady local demand, the Group remains positive about the local property market. However, the group will be cautious in committing new property investments in Hong Kong.

Barring unforeseen circumstances, the Group is confident in getting over the challenges ahead and capturing future gains from its investment portfolio.

PLEDGE OF ASSETS

As at 30th September, 2013, the Group's general credit facilities granted by banks and financial institutions were secured by pledges of the Group's investment properties of HK\$373.0 million, properties held for sale of HK\$72.2 million and property, plant and equipment of HK\$219.4 million.

CONTINGENT LIABILITIES

As at 30th September, 2013, the Company provided a corporate guarantee for loan facilities of HK\$625.0 million (31st March, 2013: HK\$625.0 million) granted to certain joint ventures, which the Group owned 50%. The total loan outstanding for the loan facilities as at 30th September, 2013 was HK\$367.4 million. A 50% counter-indemnity was obtained from the ultimate holding company of the owner of the remaining 50% of the joint ventures in relation to the corporate guarantee provided. In addition, the Company provided a corporate guarantee on a several basis to the extent of HK\$114.6 million to a bank in respect of banking facilities granted to an associate, in which the Group owned 50% interest.

NUMBER OF EMPLOYEES, REMUNERATION POLICIES AND SHARE OPTION SCHEME

As at 30th September, 2013, the total number of employees of the Group was 94 (31st March, 2013: 88). Employees are remunerated according to their qualifications and experience, job nature and performance, under the pay scales aligned with market conditions. Other benefits to employees include medical, insurance coverage, share options and retirement schemes. On 17th October, 2013, the Company had granted share options with an initial exercise price of HK\$3.00 per Share (subject to adjustments) to certain directors, senior management and employees of the Group pursuant to the terms and conditions of the share option scheme adopted by the Company on 17th August, 2012, relevant details were disclosed in the announcement dated 17th October, 2013 published by the Company.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30th September, 2013.

SECURITIES IN ISSUE

During the six months ended 30th September, 2013, (i) 217,483,340 new Shares were issued by the Company upon conversion of the 3.25% convertible notes due on 25th November, 2013 and 10th December, 2013 respectively (the "**Convertible Notes**") in the aggregate principal amount of HK\$457.2 million at the adjusted conversion price of HK\$2.102 per Share; (ii) 13,900,000 new Shares were issued by the Company upon exercise by holders of share options at the exercise price of HK\$2.220 per Share and (iii) 5,552,646 new Shares were issued by the Company pursuant to the scrip dividend scheme in relation to the final dividend for the year ended 31st March, 2013.

As a result of the payment of a final dividend of HK15 cents per Share for the year ended 31st March, 2013, the conversion price of the Convertible Notes has been adjusted from HK\$2.102 per Share to HK\$1.970 per Share with effect from 29th August, 2013.

As at 30th September, 2013, (i) there were 642,724,898 Shares in issue; (ii) a total of 2,110,000 share options granted by the Company at an initial exercise price of HK\$2.220 per Share (subject to adjustments) pursuant to the share option scheme of the Company adopted on 26th August, 2002 remained outstanding; and (iii) the Convertible Notes in an aggregate principal amount of HK\$86.4 million at the adjusted conversion price of HK\$1.970 per Share (subject to adjustments) remained outstanding.

Save as disclosed above, there was no movement in the securities in issue of the Company during the six months ended 30th September, 2013.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to maintaining a high standard of corporate governance practices and procedures and to complying with statutory and regulatory requirements with an aim to maximise the shareholders' values and interests as well as to enhance the stakeholders' transparency and accountability.

The Company has, throughout the six months ended 30th September, 2013, complied with the code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

AUDIT COMMITTEE

The principal duties of the audit committee of the Company (the "**Audit Committee**") include reviewing the Group's interim and final results prior to recommending them to the Board for its approval, appointing the external auditor and reviewing the relationship with the external auditor of the Company, reviewing the Group's financial information and the Company's financial reporting system and internal control procedures. The Audit Committee, with specific written terms of reference in line with the code provisions of the CG Code, currently consists of three independent non-executive Directors, namely, Mr. Wong Chi Keung, Alvin (chairman of the Audit Committee), Hon. Shek Lai Him, Abraham, *GBS, JP* and Mr. Kwok Ka Lap, Alva.

The Group's interim results for the six months ended 30th September, 2013 have been reviewed by the Audit Committee and the Company's external auditor.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. Specific enquiry has been made with all Directors and the Directors have confirmed that they have complied with the required standard as set out in the Model Code during the six months ended 30th September, 2013.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and on the website of the Company at www.itcproperties.com. The interim report for the six months ended 30th September, 2013 will be despatched to the Shareholders and, for information only, the holders of the loan notes of the Company and will be published on the aforesaid respective websites of the Stock Exchange and the Company in due course.

On behalf of the Board
ITC Properties Group Limited
Cheung Hon Kit
Chairman

Hong Kong, 29th November, 2013

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

Executive Directors:

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

Independent non-executive Directors:

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