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, 2011

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, 2011, together with the comparative figures for the corresponding period in 2010.

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2011

		Six months ended	
	Notes	**30.9.2011**	30.9.2010
		HK$'000	*HK$'000*
		(unaudited)	(unaudited)
			(restated)
Turnover			
– Gross proceeds	3	**96,747**	166,488
Revenue	3	**74,129**	131,983
Property sales and rental income		**56,779**	109,394
Golf and leisure income		**6,846**	15,254
		63,625	124,648
Cost of sales		**(49,230)**	(100,371)
Gross profit		**14,395**	24,277
Income from loan financing		**9,831**	7,313
Net loss on financial instruments		**(51,498)**	(10,091)
Other income, gains and loss	4	**24,012**	135,040
Increase in fair value of investment properties under development		**57,213**	102,554
Administrative expenses		**(72,382)**	(93,535)
Share of results of associates		**(26,718)**	40,867
Share of results of jointly controlled entities		**(77)**	171
Finance costs	5	**(45,175)**	(58,529)
(Loss) profit before taxation		**(90,399)**	148,067
Taxation	6	**741**	(18,437)
(Loss) profit for the period	7	**(89,658)**	129,630
(Loss) profit for the period attributable to:			
Owners of the Company		**(89,165)**	129,896
Non-controlling interests		**(493)**	(266)
		(89,658)	129,630
(Loss) earnings per share	8		
– Basic (HK dollars)		**(0.16)**	0.25
– Diluted (HK dollars)		**(0.16)**	0.24

* *For identification purpose only*

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2011

	Six months ended	
	30.9.2011	30.9.2010
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
		(restated)
(Loss) profit for the period	**(89,658)**	129,630
Other comprehensive income		
Net (loss) gain on fair value changes of available-for-sale investments	**(6,752)**	2,192
Reclassification adjustments on disposals of available-for-sale investments	**–**	(109)
Exchange difference arising on translation of foreign operations	**6,704**	3,504
Share of translation reserve of associates	**1,324**	816
Other comprehensive income for the period	**1,276**	6,403
Total comprehensive (expense) income for the period	**(88,382)**	136,033
Total comprehensive (expense) income for the period attributable to:		
Owners of the Company	**(87,876)**	136,299
Non-controlling interests	**(506)**	(266)
	(88,382)	136,033

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30TH SEPTEMBER, 2011

	Notes	Six months ended 30.9.2011 HK$'000 (unaudited)	31.3.2011 HK$'000 (audited)
Non-current assets			
Property, plant and equipment		**207,810**	10,442
Prepaid lease payments of leasehold land		**20,873**	–
Premium on prepaid lease payments of leasehold land		**104,716**	–
Investment properties under development		**605,000**	540,000
Available-for-sale investments		**37,932**	44,684
Interests in jointly controlled entities		**5,971**	1,221
Interests in associates		**334,313**	398,422
Unsecured loans and interests due from associates		**832,786**	797,703
Deposits paid for acquisition of subsidiaries		**422,191**	362,191
Other loan receivables		**145,480**	144,583
		2,717,072	2,299,246
Current assets			
Inventories		**3,820**	355
Properties held for sale		**18,912**	660,094
Prepaid lease payments of leasehold land		**568**	–
Unsecured loans and interests due from associates		**–**	354,991
Other loan receivables		**176,307**	114,458
Debtors, deposits and prepayments	*9*	**286,859**	359,071
Financial assets at fair value through profit or loss		**118,674**	126,397
Amounts due from associates		**9,517**	10,089
Bank balances and cash		**638,446**	294,755
		1,253,103	1,920,210
Assets classified as held for sale	*10*	**601,081**	343,066
		1,854,184	2,263,276

	Notes	Six months ended 30.9.2011 HK$'000 (unaudited)	31.3.2011 HK$'000 (audited)
Current liabilities			
Creditors, deposits and accrued charges	*11*	**237,590**	152,197
Deposits received for disposal of subsidiaries		**850,574**	526,826
Amount due to a non-controlling shareholder of a subsidiary		**315**	–
Tax payable		**20,538**	20,036
Convertible note payables – due within one year		**–**	987,598
Obligations under finance leases – due within one year		**89**	85
Bank borrowings – due within one year		**75,000**	300,000
		1,184,106	1,986,742
Liabilities associated with assets classified as held for sale	*10*	**325,518**	91,351
		1,509,624	2,078,093
Net current assets		**344,560**	185,183
Total assets less current liabilities		**3,061,632**	2,484,429
Non-current liabilities			
Convertible note payables – due after one year		**514,528**	–
Obligations under finance leases – due after one year		**150**	195
Bank borrowings – due after one year		**100,000**	100,000
Deferred tax liabilities		**27,586**	1,406
		642,264	101,601
		2,419,368	2,382,828
Capital and reserves			
Share capital		**5,649**	5,649
Reserves		**2,407,659**	2,370,613
Equity attributable to owners of the Company		**2,413,308**	2,376,262
Non-controlling interests		**6,060**	6,566
		2,419,368	2,382,828

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2011

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 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and method of computation used in the condensed consolidated financial statements for the six months ended 30th September, 2011 are the same with those followed in the preparation of the Group's annual financial statements for the year ended 31st March, 2011, except that in the current interim period, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations ("**new and revised HKFRSs**") issued by the HKICPA. The application of these new and revised HKFRSs had no material effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

The Group has applied amendments to HKAS 12 titled *Deferred Tax: Recovery of Underlying Assets* in advance of their effective date in the consolidated financial statements for the year ended 31st March, 2011. 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 Group's investment properties under development 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 adoption of the amendments has been applied retrospectively and accordingly the comparative figures in the condensed consolidated income statement in respect of the six months ended 30th September, 2010 have been restated. The Group's income tax expense for the six months ended 30th September, 2010 is reduced by HK$14,766,000 and profit for the six months ended 30th September, 2010 is increased by HK$14,766,000 as a result of the restatement.

The impact of the Group's restatement of its interim results for the comparative period following its adoption of a new accounting policy, have effects on the interim financial statements as follows:

	Six months ended 30th September, 2010 *HK$'000* (unaudited)
Decrease in taxation	14,766
Increase in profit for the period	14,766
Increase in basic earnings per share	HK$0.03
Increase in diluted earnings per share	HK$0.02

The Group has not early applied other new or revised standards, amendments or interpretations that have been issued during the six months ended 30th September, 2011 but are not yet effective. The directors of the Company (the "**Directors**") anticipate that, except for HKFRS 10 *Consolidated Financial Statements*, HKFRS 11 *Joint Arrangements*, HKAS 27 (revised) *Separate Financial Statements* and HKAS 28 (revised) *Investments in Associates and Joint Ventures* as described below, the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

The new or revised standards on consolidation, joint arrangements and disclosures were issued by the HKICPA in June 2011 and are effective for annual periods beginning on or after 1st January, 2013. Earlier application is permitted provided that all of these new or revised standards will be applied in the Group's consolidated financial statements for financial year ending 31st March, 2014 and the potential impact is described below.

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements. Under HKFRS 10, there is only one basis for consolidation, that is control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios including cases where an investor may control an investee with less than majority of the voting rights. The Directors are still assessing the financial effect of the application of HKFRS 10 on the Group.

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures*. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, there are two types of joint arrangements: joint ventures and joint operations. The classification in HKFRS 11 is based on parties' rights and obligations under the arrangements. In contrast, under HKAS 31, there are three different types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate accounting. The application of HKFRS 11 is not expected to have significant impact to the Group. The Group's jointly controlled entities that are currently accounted for using the equity method of accounting would be classified as joint ventures and accounted for in accordance with HKFRS 11.

3. SEGMENT INFORMATION

The Group's operating segments, based on information reported to the chief operating decision maker (the "**CODM**"), the executive Directors, 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	– loan financing services

Information regarding these segments is reported below.

For the six months ended 30th September, 2011

	Turnover HK$'000	Segment revenue HK$'000	Operating profit (loss) HK$'000	Share of results of associates HK$'000	Share of results of jointly controlled entities HK$'000	Finance costs HK$'000	Segment results: (loss) profit before taxation HK$'000
Property	**56,529**	**56,529**	**73,573**	**(21,164)**	**189**	**(3,759)**	**48,839**
Golf and leisure	**7,096**	**7,096**	**(6,491)**	**–**	**–**	**–**	**(6,491)**
Securities investments	**23,291**	**673**	**(50,686)**	**–**	**–**	**–**	**(50,686)**
Finance	**9,831**	**9,831**	**9,668**	**–**	**–**	**–**	**9,668**
SEGMENT TOTAL	**96,747**	**74,129**	**26,064**	**(21,164)**	**189**	**(3,759)**	**1,330**
Central administrative costs	**–**	**–**	**(44,493)**	**(5,554)**	**(266)**	**(41,416)**	**(91,729)**
GROUP TOTAL	**96,747**	**74,129**	**(18,429)**	**(26,718)**	**(77)**	**(45,175)**	**(90,399)**

For the six months ended 30th September, 2010

	Turnover HK$'000	Segment revenue HK$'000	Operating profit (loss) HK$'000	Share of results of associates HK$'000	Share of results of jointly controlled entities HK$'000	Finance costs HK$'000	Segment results: profit (loss) before taxation HK$'000
Property	106,043	106,043	236,855	43,310	171	(3,993)	276,343
Golf and leisure	18,605	18,605	(19,632)	–	–	(931)	(20,563)
Securities investments	34,527	22	(3,607)	–	–	–	(3,607)
Finance	7,313	7,313	633	–	–	–	633
SEGMENT TOTAL	166,488	131,983	214,249	43,310	171	(4,924)	252,806
Central administrative costs	–	–	(48,691)	(2,443)	–	(53,605)	(104,739)
GROUP TOTAL	166,488	131,983	165,558	40,867	171	(58,529)	148,067

The CODM assesses the performance of the operating segments based on the (loss) profit 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. OTHER INCOME, GAINS AND LOSS

Included in other income, gains and loss is an amount of HK$13,344,000 relating to a loss on the remeasurement of assets held for sale in the current period. Details of assets classified as held for sale are set out in note 10(a).

Included in other income, gains and loss for the six months ended 30th September, 2010 is an amount of HK$119,120,000 relating to a compensation income from the cancellation of the Agreement as defined below. In prior years, the Group had paid deposits and expenses for the acquisition of a piece of land in the Hengqin New Area (the "**Land**") of the People's Republic of China (the "**PRC**") for a total cash consideration of RMB50,964,000 (equivalent to HK$52,250,000) under an agreement (the "**Agreement**") entered into among owners of the Land and the Group.

On 16th September, 2010, the PRC Government issued an order to repossess the Land. Subsequently, the land use right certificates of the Land were returned to the relevant government authority.

According to the Agreement, if the PRC Government repossesses the Land that results in a failure to complete the acquisition (because the Land cannot be transferred to the Group), the Group shall be exclusively entitled to all relevant compensation payable from the PRC Government.

After taking into account all deposits and expenses incurred, the Group recognised compensation income from the cancellation of the Agreement of HK$119,120,000 in the interim period ended 30th September, 2010.

5. FINANCE COSTS

	Six months ended	
	30.9.2011	30.9.2010
	HK$'000	*HK$'000*
Effective interest on convertible note payables	**41,340**	53,593
Interest on bank and other borrowings wholly repayable within five years	**3,823**	4,926
Interest on obligations under finance leases	**12**	10
Total borrowing costs	**45,175**	58,529

6. TAXATION

	Six months ended	
	30.9.2011	30.9.2010
	HK$'000	*HK$'000*
		(restated)
The tax (credit) expense comprises:		
PRC Enterprise Income Tax ("**EIT**")	**–**	18,779
Deferred tax credit	**(741)**	(342)
	(741)	18,437

No provision for Hong Kong Profits Tax, PRC EIT and income tax in other jurisdictions has been made in the condensed consolidated financial statements as the Group has no assessable profits for the current period.

Taxation arising in the PRC was recognised based on the estimated average annual tax rate of 10% for the six months ended 30th September, 2010.

7. (LOSS) PROFIT FOR THE PERIOD

	Six months ended	
	30.9.2011	30.9.2010
	HK$'000	*HK$'000*
(Loss) profit for the period has been arrived at after charging (crediting):		
Equity-settled share-based payments expenses	**2,722**	8,321
Depreciation of property, plant and equipment	**1,671**	7,087
Amortisation of premium on prepaid lease payments of leasehold land	**–**	1,369
Release of prepaid lease payments of leasehold land	**–**	266
Loss on disposal of property, plant and equipment	**206**	149
Bank interest income	**(961)**	(236)
Interest income on convertible bonds	**–**	(3,535)
Imputed interest on unsecured loan due from an associate	**(1,689)**	(1,422)
Other interest income	**(30,785)**	(7,048)

8. (LOSS) EARNINGS PER SHARE

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

	Six months ended	
	30.9.2011	30.9.2010
	HK$'000	*HK$'000*
		(restated)
(Loss) earnings:		
(Loss) earnings for the purpose of basic (loss) earnings per share – (loss) profit for the period attributable to owners of the Company	**(89,165)**	129,896
Effect of dilutive potential ordinary shares – interest on convertible note payables	**–**	10,351
(Loss) earnings for the purpose of diluted (loss) earnings per share	**(89,165)**	140,247
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**564,919,597**	529,990,635
Effect of dilutive potential ordinary shares – convertible note payables	**–**	60,725,790
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	**564,919,597**	590,716,425

The calculation of diluted loss per share for the six months ended 30th September, 2011 has not assumed the conversion of convertible note payables and the exercise of the share options as these potential ordinary shares were anti-dilutive as the Group incurred a loss for the period.

The calculation of diluted earnings per share for the six months ended 30th September, 2010 has not assumed the exercise of the share options as the exercise price of those share options were higher than the average market price for the Company's shares during that period.

9. 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$535,000 (31st March, 2011: HK$1,986,000).

The following is an analysis of trade debtors by age, presented based on the invoice date at the end of the reporting period. The analysis includes those classified as part of a disposal group held for sale:

	30.9.2011	31.3.2011
	HK$'000	*HK$'000*
Trade debtors aged:		
0 – 60 days	**10**	1,188
61 – 90 days	**–**	351
Over 90 days	**525**	633
	535	2,172
Less: Trade debtors classified as part of a disposal group held for sale	**–**	(186)
	535	1,986

10. ASSETS CLASSIFIED AS HELD FOR SALE/LIABILITIES ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE

(a) On 21st July, 2010, the Group entered into a conditional sale and purchase agreement with Million Cube Limited ("**Million Cube**"), an independent third party, for the disposal of 65% of the equity interest in Paragon Winner Company Limited ("**Paragon Winner**"), a wholly-owned subsidiary of the Group which engages in the development and operation of hotel and golf resort, at a consideration of HK$746,269,000. The disposal had been approved by the shareholders at a special general meeting of the Company convened on 26th August, 2010.

On 16th May, 2011, the Group and Million Cube entered into a supplemental agreement to revise certain terms in the disposal agreement in relation to the payment schedule of the remaining overdue balance of the consideration.

As of 30th September, 2011, Million Cube had paid an aggregate amount of approximately HK$250,574,000 (net of interest) (31st March, 2011: HK$176,826,000) but failed to pay the remaining overdue balance of the consideration. Pursuant to the terms set out in the supplemental agreement, Million Cube shall pay interest on the overdue balance of the consideration to the Group. Accordingly, an interest income of HK$24,665,000 has been recognised in profit or loss in the current interim period.

The disposal group has been classified as held for sale for over one year and the disposal of 65% of the equity interest in Paragon Winner has not been completed. The sale plan is under re-negotiation between the Group and Million Cube as of the date of this announcement. Accordingly, the assets and liabilities attributable to Paragon Winner and its subsidiaries (the "**Paragon Winner Group**") ceased to be classified as held for sale at 30th September, 2011, and remeasured at their carrying amount before the disposal group was classified as held for sale, adjusted for depreciation and amortisation that would have been recognised had the disposal group not been classified as held for sale. The loss on remeasurement of HK$13,344,000 has been recognised in the condensed consolidated income statement for the six months ended 30th September, 2011.

(b) On 7th July, 2011, a subsidiary of the Company entered into a conditional sale and purchase agreement with Greatward Limited, an independent third party, for the disposal of 50% of the equity interest in Vastness Investment Limited ("**Vastness**"), a wholly-owned subsidiary of the Company, for a consideration of HK$337.0 million. Vastness owns certain subsidiaries which are engaged in property development. As of 30th September, 2011, the Group had received deposits in relation to the disposal in aggregate of HK$250.0 million (31st March, 2011: Nil). Accordingly, the assets and liabilities attributable to the disposal of Vastness and its subsidiaries (the "**Vastness Group**") that are expected to be sold within twelve months are classified as a disposal group held for sale and are separately presented in the condensed consolidated statement of financial position at 30th September, 2011.

The disposal was completed on 14th October, 2011. The remaining 50% equity interest of Vastness owned by a subsidiary of the Company will be classified as a jointly controlled entity. The sale proceeds exceed the net carrying amounts of the relevant assets and liabilities and, accordingly, no impairment loss has been recognised. The Directors expect that a gain on disposal of Vastness would be recognised in profit or loss at the effective date of disposal and is in the process of finalising the financial impact to the Group.

The major classes of assets and liabilities of the disposal groups are as follows:

	The Vastness Group	The Paragon Winner Group
	30.9.2011	31.3.2011
	HK$'000	*HK$'000*
Property, plant and equipment	**–**	197,830
Prepaid lease payments of leasehold land	**–**	21,354
Premium on prepaid lease payments of leasehold land	**–**	107,681
Properties held for sale	**597,333**	–
Inventories	**–**	3,318
Debtors, deposits and prepayments	**3,748**	1,107
Bank balances and cash	**–**	11,776
Total assets classified as held for sale	**601,081**	343,066
Creditors, deposits and accrued charges	**518**	63,936
Amount due to a non-controlling shareholder of a subsidiary	**–**	237
Tax payable	**–**	257
Bank borrowings	**325,000**	–
Deferred tax liabilities	**–**	26,921
Total liabilities associated with assets classified as held for sale	**325,518**	91,351

11. CREDITORS, DEPOSITS AND ACCRUED CHARGES

Included in creditors, deposits and accrued charges are trade creditors of approximately HK$1,755,000 (31st March, 2011: HK$1,326,000).

The following is an analysis of trade creditors by age, presented based on the invoice date at the end of the reporting period. The analysis includes those classified as part of a disposal group held for sale:

	30.9.2011	31.3.2011
	HK$'000	*HK$'000*
Trade creditors aged:		
0 – 60 days	**846**	1,289
61 – 90 days	**328**	520
Over 90 days	**581**	916
	1,755	2,725
Less: Trade creditors classified as part of a disposal group held for sale	**–**	(1,399)
	1,755	1,326

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend in respect of the six months ended 30th September, 2011 (six months ended 30th September, 2010: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Turnover for the six months ended 30th September, 2011 was approximately HK$96.7 million, a decrease of HK$69.8 million when compared to the same period last year of HK$166.5 million, mainly due to fewer sales of properties and activities in securities trading. Accordingly, gross profit decreased from HK$24.3 million for the same period last year to HK$14.4 million for the current period.

The local property market for the period under review was relatively stable and the Group has recognised an increase in fair value of investment properties of HK$57.2 million as compared with the corresponding amount of HK$102.6 million due to the buoyant recovery during the same period last year. The Group's share of losses of associates amounting to HK$26.7 million mainly represented share of the associates' administrative expenses and other set-up cost since their investment projects were still at the development stages.

The Group recorded a loss for the current period of HK$89.7 million, as compared to a profit of HK$129.6 million for the same period last year. In addition to the above, other factors attributable to the loss for the current period include:

1. The European sovereign debt crisis and concerns over the world's sluggish recovery of economy has shadowed the stock markets in the third quarter of 2011. The general downturn of the equity market caused the Group to record a net loss on financial instruments of HK$51.5 million, of which an amount of HK$51.0 million represented an unrealised loss due to drop in market price as at 30th September, 2011.

2. There was a compensation income of approximately HK$119.1 million arising from the cancellation of acquisition of land use rights at Hengqin, Zhuhai for the six months ended 30th September, 2010 which was a non-recurring item and no similar item was recorded for the current period.

Property

Macau:

Following the successful presales of the first and second phases of its development in Cotai South, Macau (the "**Concordia Development**"), named "One Oasis" in April 2010 and March 2011 respectively in aggregate securing a sale amount of over HK$10 billion, Empresa De Fomento Industrial E Comercial Concórdia, S.A. ("**Concordia**"), in which the Group has 35.5% effective interest, concentrated its effort in the construction work with expected completion in 2013. The new show flats for the third phases have also been completed which presale will strategically be launched at an appropriate time to optimize the sale value. During the current period, Concordia repatriated an amount of HK$355.0 million to the Group as interest and partial loan repayment. It is anticipated upon completion of the first and second phases, there shall be further significant repayment and/or distribution receivable from Concordia together with recognition of a substantial share of profit.

During the current period, the Group completed the sales of the remaining 6 residential units together with 6 car parking spaces classified as properties held for sale with a consideration of HK$56.5 million (six months ended 30th September, 2010: HK$105.2 million) with a profit contribution to the segment of HK$10.8 million (six months ended 30th September, 2010: HK$10.1 million).

Hong Kong:

On 14th October, 2011, the Group completed the disposal of 50% interest in Vastness Investment Limited, which indirectly holds the property interest in the site bordering Tung Lo Wan Road and Shelter Street (the "**Residential Site**"). An estimated gain of approximately HK$172.0 million will be recorded in the 2nd half of this financial year. The Residential Site, in which the Group still possesses 50% interest, will be developed into a luxury high society life-style residential tower. In addition, the Group continues to own the entire interest in the site on Moreton Terrace (the "**Hotel Site**") which will be developed into a boutique hotel. In late September 2010, a draft Outline Zoning Plan was gazetted by the Hong Kong Government which rezoned our sites from "Commercial/Residential" to "Residential (Group A)" and imposed a height restriction of 100 metres above Principal Datum from initially having "no" height restriction. The Group has set up a professional team in order to tackle these changes. The demolition of the existing buildings on both the Residential Site and the Hotel Site has been completed.

The foundation works at 703 and 705, Nathan Road (the "**Nathan Road Project**"), of which the Group has 100% interest, has been completed. The site will be developed into a high end (diamond, gold, jewelry, watches and luxury goods) retail complex with a gross floor area of approximately 30,000 sq. ft. Completion is expected in mid to late 2012. On completion, the building will become an outstanding superstructure on top of the Mongkok MTR station.

On 9th September, 2011, the Group entered into an agreement to acquire the entire interest in Top Precise Investments Limited (together with its subsidiary, collectively referred to as the "**Top Precise Group**"), a wholly-owned subsidiary of ITC Corporation Limited ("**ITC**"), for a consideration of HK$313.0 million. The principal asset of the Top Precise Group is the premises at 30th Floor and 4 car parking spaces at Bank of America Tower, 12 Harcourt Road, Central (the "**Premises**"). The transaction was completed on 16th November, 2011. The majority portion of the Premises is retained by the Group for self-use while the remaining portion is leased to a subsidiary of ITC for rental income.

PRC:

The Group has invested into a 45%-owned joint venture company (the "**JVC**") principally engaged in the development and management of a golf and hot spring resort and residential project in Guiyang, Guizhou Province. The JVC owned land use rights for parcels of land in Wudang District, Guiyang City, with a total site area for development amounted to approximately 697,746 sq. m. (the "**Guiyang Land**"). During the period under review, model show-houses and the sale office have been completed for launching pre-sales.

As disclosed in the Company's circular dated 27th October, 2010 and the Company's announcement dated 31st March, 2011, 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), 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.

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

Location	**Usage**	**Group's interest** *(%)*	**Attributable Gross Floor Area** *(sq. ft.)*
Concordia Development situated at Estrada de Seac Pai Van, Macau	Residential/ Commercial/ Hotel	35.5	2,250,000
Nathan Road Project situated at 703 and 705, Nathan Road, Mongkok, Kowloon, Hong Kong	Retailing	100	30,000
Hotel Site: – No. 7 Moreton Terrace, Causeway Bay, Hong Kong	Boutique hotel	100	31,000
Residential Site comprising – Nos. 19-21 Shelter Street, Causeway Bay, Hong Kong – Nos. 35, 37, 39-39A, 39B and 39C Tung Lo Wan Road, Causeway Bay, Hong Kong – No. 33 Tung Lo Wan Road, Causeway Bay, Hong Kong	Residential	50	45,000
Guiyang Land situated at Wudang District, Guiyang City, Guizhou Province, the PRC	Residential/ Commercial/ Cultural/ Recreational/ Resort	45	3,300,000

Golf and Leisure

Turnover from the golf and leisure business during the six months ended 30th September, 2011 was HK$7.1 million (six months ended 30th September, 2010: HK$18.6 million) with a segmental loss of HK$6.5 million (six months ended 30th September, 2010: HK$20.6 million). In July 2010, the Group entered into an agreement to dispose of 65% of the Group's interest in Paragon Winner, which indirectly owns and operates the Sun Valley Golf Resort, to Million Cube Limited (the "**Purchaser**") for a cash consideration of approximately HK$746.3 million (the "**Disposal Agreement**"). As further updated by the Company's announcements dated 1st November, 2011 and 11th November, 2011, the Purchaser has not paid the consideration in accordance to the agreed schedule despite repeated reminders and extensions of grace period. On 10th November, 2011, a proposal has been put forward by the Purchaser which involved a revised schedule for the payment of the remaining balance of the consideration and time of completion, and possible adjustment to the percentage of interest in Paragon Winner and the shareholder's loan to be acquired by the Purchaser (the "**Proposal**"). The Company is considering the Proposal but has reserved the right to terminate the Disposal Agreement and forfeit all the payments that have so far been made by the Purchaser to the Group at any time notwithstanding any intervening negotiation on the Proposal.

Securities Investments

During the six months ended 30th September, 2011, the Group was less active in securities trading. Turnover and segmental loss from securities investment were HK$23.3 million (six months ended 30th September, 2010: HK$34.5 million) and HK$50.7 million (six months ended 30th September, 2010: HK$3.6 million) respectively. As at the period end date, the Group had available-for-sale investments and financial assets at fair value through profit or loss in an aggregate sum of HK$156.6 million, mainly comprised securities listed in Hong Kong and Singapore.

Financing

During the six months ended 30th September, 2011, the Group had interest income from other loan receivables of HK$9.8 million (six months ended 30th September, 2010: HK$7.3 million). As at the period end date, other loan receivables of the Group amounted to HK$321.8 million.

Financial Review

The Group maintains a prudent funding and treasury policy with regard to its overall business operations. In addition to the convertible note payables, a variety of credit facilities are 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, 2011, the Group has refinanced a bank loan of HK$300.0 million with banking facilities amounted to HK$700.0 million to finance the development of the Residential Site and the Hotel Site, of which HK$100.0 million was further drawn down during the period. As at the period end date, total borrowings from financial institutions amounted to HK$500.0 million, of which

HK$425.0 million is repayable after one year. The Group's gearing ratio as at 30th September, 2011 was 0.16 (31st March, 2011: 0.46), determined as the proportion of the Group's bank borrowings and convertible note payables in aggregate of HK$1,014.5 million (after deducting the bank and cash balances of HK$638.4 million) to the Group's shareholders' funds of HK$2,413.3 million.

The Group's borrowings from financial institutions 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.

In order to retain financial resources for investment and working capital, in February 2011, the Company proposed a repurchase offer (the "**Repurchase Offer**") to the holders of 1% convertible notes which were due on 15th June, 2011 (the "**2011 Convertible Notes**") with an aggregate outstanding principal amount of HK$906.0 million by issuing 3.25% convertible notes with maturity date falling 30 months after the date of issue (the "**New Notes**"). During the current period, the New Notes in an aggregate principal amount of HK$589.05 million were issued to the holders who accepted the Repurchase Offer and the New Notes in an aggregate principal amount of HK$30.0 million were further issued to the subscribers through placing. The Group has utilised the proceeds from the placing of the New Notes and its internal resources in aggregate of HK$411.0 million for redemption of the 2011 Convertible Notes (including outstanding principal, redemption premium and accrued interest) which holders had not accepted the Repurchase Offer in June 2011.

Outlook

The global economy remains vulnerable given the lagging pace in the United States and Europe's recovery from the "Great Financial Crisis". In particular, the sovereign debt crisis in Euro Zone is spreading and deteriorating which increases the downside risk to the global economy. The common consensus is that these developed countries will remain in a period of low-growth in the coming next few quarters. With less demand of merchandises from the United States and Europe and after the imposition of various measures to contain asset prices, the economic momentum in the PRC also slows down though there is still some continued growth in its economy. All in all, the existing global economy is highly volatile.

The imposition of restrictive measures by the Macau Government in June 2011 including special stamp duty and tightening in mortgage lending have substantially cooled down the property transactions with some moderations in property price. Nevertheless, Macau continues to be one of the fastest growing economies in the region with 22.9% growth in GDP for the first half of 2011 driven by the resilient gaming and tourists sectors. The unemployment rate remains low at 2.6%. The Group, through Concordia, remains optimistic about the property market in Macau and 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 residential towers at One Oasis in appropriate time.

With an aim to enable the sustainable development of the local property market, similar cooling measures have also been initiated by Hong Kong Government which cast a wait-and-see sentiment over the market and cool down residential property transactions with immediate effect. On a backdrop of record-low interest rates and scarce new supply coupled with the strong retail businesses fueled by the PRC tourists, the Group remains optimistic about the local property market and expects that the Residential Site, the Hotel Site and the Nathan Road Project shall contribute an encouraging return after their completion.

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

PLEDGE OF ASSETS

As at 30th September, 2011, the Group's general credit facilities granted by banks and financial institutions were secured by pledges of the Group's investment properties under development of HK$605.0 million, properties held for sale in an aggregate value of HK$597.3 million and property, plant and equipment of HK$0.2 million.

NUMBER OF EMPLOYEES, REMUNERATION POLICIES AND SHARE OPTION SCHEME

As at 30th September, 2011, the number of employees of the Group was 389 (31st March, 2011: 557). 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.

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, 2011.

The trading in the shares of the Company on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") had been suspended with effect from 9:00 a.m. on Monday, 21st November, 2011 pending the release of an announcement pursuant to the Share Repurchases Code issued by the Securities and Futures Commission of Hong Kong which is price sensitive in nature. Further details will be contained in the announcement to be released.

SECURITIES IN ISSUE

On 25th May, 2011, the Company issued the New Notes with an initial conversion price of HK$2.20 per share of the Company (the "**Share**") (subject to adjustments) in an aggregate principal amount of HK$589.05 million to the holders of the 1% convertible notes due 2011 in the aggregate outstanding principal amount of HK$906.0 million issued by the Company on 15th June, 2006 who had accepted in whole or in part the Repurchase Offer as announced by the Company on 21st February, 2011. The New Notes are exercisable during the period from 9th June, 2011 up to and including the date which is 15 days prior to 25th November, 2013.

On 10th June, 2011, the Company issued the 3.25% convertible notes falling due 30 months after the date of its issue, with an initial conversion price of HK$2.20 per Share (subject to adjustments) (the "**Placing New Notes**") in an aggregate principal amount of HK$30.0 million upon completion of the placing of the Placing New Notes. The Placing New Notes are exercisable during the period from 25th June, 2011 up to and including the date which is 15 days prior to 10th December, 2013.

During the period, the 2011 Convertible Notes for which the Repurchase Offer is not accepted were duly redeemed by the Company using the net proceeds from the placing of the Placing New Notes and internal resources of the Group.

As at 30th September, 2011, 540,000 share options (the "**Options**") granted under the share option scheme adopted by the Company on 26th August, 2002 at an initial exercise price of HK$2.22 (subject to adjustments) per Share were lapsed upon resignation of an employee of the Group.

As at 30th September, 2011, there were 564,919,597 Shares in issue and a total of 20,800,000 Options granted by the Company at an initial exercise price of HK$2.22 (subject to adjustments) per Share which remain outstanding. The New Notes in an aggregate principal amount of HK$589.05 million and the Placing New Notes in an aggregate principal amount of HK$30.0 million both at the initial conversion price of HK$2.20 per Share (subject to adjustments) also remain outstanding as at the date hereof.

Save as disclosed above, there was no movement in the securities in issue of the Company during the six months ended 30th September, 2011.

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 Code on Corporate Governance Practices (the "**Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"), currently consists of three independent non-executive Directors, namely, Mr. Wong Chi Keung, Alvin (chairman of the Audit Committee), Hon. Shek Lai Him, Abraham, *SBS, JP* and Mr. Kwok Ka Lap, Alva.

The Audit Committee has reviewed with the management and the Company's auditor the accounting principles and practices adopted by the Group and discussed auditing, financial reporting process and internal control matters including a review of the unaudited consolidated interim financial report of the Company for the six months ended 30th September, 2011.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining a high standard of corporate governance practices and procedures and to complying with the statutory and regulatory requirements with an aim to maximising the shareholders' values and interests as well as to enhancing the stakeholders' transparency and accountability. The Company has, throughout the six months ended 30th September, 2011, complied with the code provisions of the Code.

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, 2011.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the respective websites of the Stock Exchange and the Company. The interim report for the six months ended 30th September, 2011 will be despatched to the shareholders of the Company and, for information only, the holders of the convertible notes of the Company and will be published on the 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, 25th November, 2011

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

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

The full version of this announcement can also be viewed on the Company's website: www.itcproperties.com.