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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, 2012

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, 2012, together with the comparative figures for the corresponding period in 2011.

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2012

	Notes	Six months ended	
		30.9.2012 HK\$'000 (unaudited)	30.9.2011 HK\$'000 (unaudited) (restated)
Continuing operations			
Turnover			
– Gross proceeds	3	<u>13,872</u>	<u>90,643</u>
Revenue	3	<u>13,872</u>	<u>68,025</u>
Property sales and rental income		<u>1,386</u>	56,779
Golf and leisure income		–	742
		<u>1,386</u>	<u>57,521</u>
Cost of sales		–	(45,956)
Gross profit		<u>1,386</u>	11,565
Income from loan financing		<u>12,486</u>	9,831
Net gain (loss) on financial instruments		<u>51,929</u>	(51,498)
Other income, gains and losses		<u>26,966</u>	37,336
Increase in fair value of investment properties		<u>24,099</u>	57,213
Administrative expenses		<u>(51,991)</u>	(56,275)
Share of results of associates		<u>(21,326)</u>	(26,718)
Share of results of jointly controlled entities		<u>(15,919)</u>	(77)
Finance costs	4	<u>(64,908)</u>	(45,175)
Loss before taxation		<u>(37,278)</u>	(63,798)
Taxation	5	–	–
Loss for the period from continuing operations	6	<u>(37,278)</u>	(63,798)
Discontinued operation	8		
Profit (loss) for the period from discontinued operation		<u>442,040</u>	(25,860)
Profit (loss) for the period		<u>404,762</u>	(89,658)

* For identification purpose only

	<i>Note</i>	Six months ended	
		30.9.2012	30.9.2011
		HK\$'000	HK\$'000
		(unaudited)	(unaudited) (restated)
Profit (loss) attributable to owners of the Company			
– from continuing operations		(37,209)	(63,305)
– from discontinued operation		442,040	(25,860)
		<u>442,040</u>	<u>(25,860)</u>
Profit (loss) for the period attributable to owners of the Company		404,831	(89,165)
		<u>404,831</u>	<u>(89,165)</u>
Loss attributable to non-controlling interests			
– from continuing operations		(69)	(493)
– from discontinued operation		–	–
		<u>–</u>	<u>–</u>
Loss for the period attributable to non-controlling interests		(69)	(493)
		<u>(69)</u>	<u>(493)</u>
		404,762	(89,658)
		<u>404,762</u>	<u>(89,658)</u>
Profit (loss) for the period attributable to:			
Owners of the Company		404,831	(89,165)
Non-controlling interests		(69)	(493)
		<u>404,831</u>	<u>(89,165)</u>
		404,762	(89,658)
		<u>404,762</u>	<u>(89,658)</u>
Earnings (loss) per share	9		
From continuing and discontinued operations			
– Basic (HK dollar)		1.06	(0.16)
		<u>1.06</u>	<u>(0.16)</u>
– Diluted (HK dollar)		1.06	(0.16)
		<u>1.06</u>	<u>(0.16)</u>
From continuing operations			
– Basic (HK dollar)		(0.10)	(0.11)
		<u>(0.10)</u>	<u>(0.11)</u>
– Diluted (HK dollar)		(0.10)	(0.11)
		<u>(0.10)</u>	<u>(0.11)</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2012

	Six months ended	
	30.9.2012	30.9.2011
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit (loss) for the period	<u>404,762</u>	<u>(89,658)</u>
Other comprehensive (expenses) income		
Net gain (loss) on fair value changes of available-for-sale investments	3,207	(6,752)
Exchange differences arising on translation of foreign operations	(2,978)	6,704
Share of translation reserve of associates and jointly controlled entities	1,090	1,324
Reclassification adjustment to profit or loss upon loss of control over subsidiaries	<u>(18,298)</u>	<u>–</u>
Other comprehensive (expenses) income for the period	<u>(16,979)</u>	<u>1,276</u>
Total comprehensive income (expenses) for the period	<u><u>387,783</u></u>	<u><u>(88,382)</u></u>
Total comprehensive income (expenses) for the period attributable to:		
Owners of the Company	387,852	(87,876)
Non-controlling interests	<u>(69)</u>	<u>(506)</u>
	<u><u>387,783</u></u>	<u><u>(88,382)</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30TH SEPTEMBER, 2012

	<i>Notes</i>	30.9.2012 HK\$'000 (unaudited)	31.3.2012 <i>HK\$'000</i> (audited)
Non-current assets			
Property, plant and equipment		236,852	434,303
Prepaid lease payments of leasehold land		–	20,868
Premium on prepaid lease payments of leasehold land		–	103,348
Investment properties		805,000	727,943
Available-for-sale investments		40,365	36,235
Interests in jointly controlled entities	<i>10</i>	1,453,288	383,673
Amount due from a jointly controlled entity		98,122	–
Interests in associates		131,856	137,577
Unsecured loans and interest due from associates		627,190	783,365
Deposits paid for acquisition of subsidiaries		–	362,191
Other loan receivables		42,136	42,238
		<hr/> 3,434,809	<hr/> 3,031,741
Current assets			
Inventories		–	4,286
Properties held for sale		88,972	16,739
Prepaid lease payments of leasehold land		–	576
Other loan receivables		241,415	302,204
Unsecured loans and interest due from associates		142,452	–
Debtors, deposits and prepayments	<i>11</i>	235,174	293,763
Financial assets at fair value through profit or loss		160,003	86,397
Amounts due from associates		13,604	12,679
Bank balances and cash		292,577	759,650
		<hr/> 1,174,197	<hr/> 1,476,294
Assets classified as held for sale	<i>12</i>	324,988	184,782
		<hr/> 1,499,185	<hr/> 1,661,076

	<i>Notes</i>	30.9.2012 HK\$'000 (unaudited)	31.3.2012 <i>HK\$'000</i> (audited)
Current liabilities			
Creditors, deposits and accrued charges	<i>13</i>	515,080	176,517
Deposits received for disposal of subsidiaries		481,454	983,722
Amount due to a non-controlling shareholder of a subsidiary		–	236
Tax payable		95,606	21,693
Obligations under finance leases – due within one year		73	90
Bank borrowings – due within one year		273,222	148,574
		1,365,435	1,330,832
Liabilities associated with assets classified as held for sale	<i>12</i>	5	3
		1,365,440	1,330,835
Net current assets		133,745	330,241
Total assets less current liabilities		3,568,554	3,361,982
Non-current liabilities			
Convertible note payables – due after one year		537,842	541,170
Loan notes		380,526	419,271
Obligations under finance leases – due after one year		76	105
Bank borrowings – due after one year		37,000	136,775
Deferred tax liabilities		1,406	27,243
		956,850	1,124,564
		2,611,704	2,237,418
Capital and reserves			
Share capital		3,851	3,685
Reserves		2,609,066	2,227,698
Equity attributable to owners of the Company		2,612,917	2,231,383
Non-controlling interests		(1,213)	6,035
		2,611,704	2,237,418

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2012

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 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, 2012 are the same with those followed in the preparation of the Group’s annual financial statements for the year ended 31st March, 2012.

The Group had early applied the amendments to HKAS 12 “Income Taxes”, in respect of the recognition of deferred tax on investment properties carried at fair value under HKAS 40 “Investment Property” since the Group’s financial year beginning on 1st April, 2010.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA.

Amendments to HKFRS 7	Disclosure – Transfers of Financial Assets
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The application of the above amendments to HKFRSs in the current interim period has no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

Other than those disclosed in note 2 to the Group’s consolidated financial statements for the year ended 31st March, 2011, the Group has not early applied any new or revised standards, amendments and interpretations that have been issued but are not yet effective. The directors of the Company (the “**Directors**”) anticipate that the application of the new and revised standards, amendments and interpretations will have no material impact on the results and the financial position of the Group.

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 includes the result of discontinued operation of Paragon Winner Company Limited (“**Paragon Winner**”) (see note 8) of which Paragon Winner becomes a jointly controlled entity as set out in note 10, 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, 2012

	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	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

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: profit (loss) 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
Unallocated	-	-	(44,493)	(5,554)	(266)	(41,416)	(91,729)
GROUP TOTAL	96,747	74,129	(18,429)	(26,718)	(77)	(45,175)	(90,399)

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. FINANCE COSTS

	Six months ended	
	30.9.2012	30.9.2011
	HK\$'000	HK\$'000 (restated)
Continuing operations		
Effective interest on convertible note payables	38,448	41,340
Effective interest on loan notes	25,708	–
Interest on bank borrowings wholly repayable within five years	4,194	3,823
Interest on obligations under finance leases	8	12
	<u>68,358</u>	<u>45,175</u>
Total borrowing costs	68,358	45,175
Less: amounts capitalised on qualifying assets	(3,450)	–
	<u>64,908</u>	<u>45,175</u>

5. TAXATION

	Six months ended	
	30.9.2012	30.9.2011
	HK\$'000	HK\$'000 (restated)
Continuing operations		
Taxation	<u>–</u>	<u>–</u>
Discontinued operation		
Overseas taxation	74,170	–
Deferred tax credit	(114)	(741)
	<u>74,056</u>	<u>(741)</u>

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. No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from, Hong Kong. Taxation arising in the People's Republic of China (the "PRC") is recognised based on the estimated average annual tax rate of 10% for the six months ended 30th September, 2012.

6. PROFIT (LOSS) FOR THE PERIOD

	Six months ended	
	30.9.2012	30.9.2011
	HK\$'000	HK\$'000
		(restated)
Profit (loss) for the period has been arrived at after charging (crediting):		
Continuing operations		
Equity-settled share-based payments expenses	–	2,461
Depreciation of property, plant and equipment	5,180	1,671
Loss on disposal of property, plant and equipment	274	26
Bank interest income	(1,415)	(941)
Imputed interest on unsecured loan due from an associate	(1,776)	(1,689)
Other interest income	(19,815)	(30,785)
	<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	–
Loss on disposal of property, plant and equipment	–	180
Bank interest income	–	(20)
	<u> </u>	<u> </u>

7. DISTRIBUTION

	Six months ended	
	30.9.2012	30.9.2011
	HK\$'000	HK\$'000
Dividends recognised as distribution during the period		
Final dividend paid for the year ended 31st March, 2012		
– HK10.0 cents (2011: Nil) per ordinary share	38,513	–
	<u> </u>	<u> </u>
Dividends declared in respect of the current period		
Interim dividend declared for the current period		
– HK5.0 cents (2011: Nil) per ordinary share	19,257	–
	<u> </u>	<u> </u>

The amount of the interim dividend declared for the six months ended 30th September, 2012, which will be payable in cash, has been calculated by reference to the 385,130,896 issued ordinary shares outstanding as at the date of this announcement.

8. DISCONTINUED OPERATION/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 and shareholder’s loan (the “**Transaction**”) in Paragon Winner Company Limited (“**Paragon Winner**”) for approximately HK\$758.7 million and at the same time provided a loan (the “**Loan**”) of approximately HK\$205.7 million 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 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 the Completion. Although the Group eventually owns 55% interest in Paragon Winner after the Settlement Deed, Paragon Winner was accounted for as a jointly controlled entity of the Group since pursuant to the shareholders' agreement entered among the Group, the Purchaser and Paragon Winner on 19th September, 2012, certain significant financial and operating policies of Paragon Winner require the unanimous consent of both the Group and the Purchaser. In this respect, a gain on loss of control over subsidiaries of approximately HK\$521.7 million was recognised in profit and loss during the period ended 30th September, 2012.

The Group's golf and leisure operations are treated as discontinued operation. Accordingly, the Group presents results for the period in the condensed consolidated income statements and relevant notes from continuing operations and discontinued operation separately, and certain comparative amounts for the corresponding period have been restated to conform with the presentation.

The profit (loss) from the discontinued operation for the current and preceding interim periods is analysed as follows:

	Six months ended	
	30.9.2012	30.9.2011
	HK\$'000	HK\$'000
		(restated)
Loss of golf and leisure operations before taxation for the period	(5,620)	(26,601)
Gain on loss of control over subsidiaries	521,716	–
Taxation	(74,056)	741
	<u>442,040</u>	<u>(25,860)</u>

9. EARNINGS (LOSS) PER SHARE

From continuing and discontinued operations

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

	Six months ended	
	30.9.2012	30.9.2011
	HK\$'000	HK\$'000
		(restated)
Earnings (loss):		
Profit (loss) for the period attributable to the owners of the Company and profit (loss) for the purpose of basic and diluted earnings (loss) per share	<u>404,831</u>	<u>(89,165)</u>
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings (loss) per share	<u>382,045,950</u>	<u>564,919,597</u>

From continuing operations

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

	Six months ended	
	30.9.2012	30.9.2011
	HK\$'000	HK\$'000
Earnings (loss):		
Profit (loss) for the period attributable to owners of the Company	404,831	(89,165)
Less: (profit) loss for the period from discontinued operation	<u>(442,040)</u>	<u>25,860</u>
Loss for the purpose of calculating basic and diluted loss per share from continuing operations	<u><u>(37,209)</u></u>	<u><u>(63,305)</u></u>

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

From discontinued operation

Basic and diluted earnings per share for the discontinued operation is HK\$1.16 per share (30th September, 2011: loss per share of HK\$0.05) based on the profit (loss) for the period from the discontinued operation of approximately HK\$442,040,000 (30th September, 2011: loss of HK\$25,860,000).

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

The calculation of diluted earnings (loss) per share for both periods has not assumed the conversion of convertible notes payables as their exercise would result in a decrease in loss per share for the continuing operations of the Group for both periods and the exercise of the share options as these potential ordinary share were anti-dilutive as the continuing operations of the Group incurred a loss for both periods.

10. INTERESTS IN JOINTLY CONTROLLED ENTITIES

During the current period, besides the addition of the retained 55% interest in Paragon Winner as a jointly controlled entity (note 8), through completion of the acquisition of Newskill Investments Limited at a consideration of HK\$960,000,000, Guangzhou Jierong Real Estate Development Company Limited, which holds a parcel of land in Guangzhou, the PRC, also became the Group's jointly controlled entity.

11. 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\$6,000 (31st March, 2012: HK\$343,000).

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

	30.9.2012	31.3.2012
	HK\$'000	HK\$'000
Trade debtors aged:		
0 – 60 days	6	187
61 – 90 days	–	86
Over 90 days	–	70
	<u>6</u>	<u>343</u>

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

- (a) On 13th December, 2011, an indirect wholly-owned subsidiary of the Group entered into a sale and purchase agreement with Giant Soar Limited (“**Giant Soar**”), an independent third party, for the disposal of the Group’s entire equity interest in Linktop Limited (“**Linktop**”), an indirect wholly-owned subsidiary of the Company, which holds 45% indirect equity interest in Guizhou Hong De Real Estate Co., Ltd., an associate of Linktop which is engaged in development and management of a hot spring and resort project in the PRC, at a consideration of RMB230,000,000.

The Group has received deposits of HK\$131,454,000 (31st March, 2012: HK\$101,419,000) as at 30th September, 2012.

The assets and liabilities attributable to Linktop and its subsidiaries (the “**Linktop Group**”) that are expected to be sold within twelve months from 31st March, 2012 have been classified as a disposal group held for sale (see below) and are separately presented in the condensed consolidated statement of financial position. The net proceeds on disposal are expected to exceed the net carrying amount of the relevant consolidated assets and liabilities and, accordingly, no impairment loss has been recognised on Linktop.

The purchaser has not paid the consideration according to the agreed payment schedule. It has agreed to pay interest to the Group in relation to late payment of consideration, at the rate ranging from 15% to 18% per annum. During the current interim period, interest income of HK\$14,697,000 (six months ended 30th September, 2011: Nil) has been recognised under “Other income, gains and losses” in profit or loss in respect of the consideration receivable from the purchaser pursuant to supplemental agreements entered on 14th March, 2012, 13th June, 2012 and 13th September, 2012 respectively. The disposal is expected to be completed on or before 28th February, 2013.

- (b) On 28th May, 2012, the Group and Angel Moon Limited (“**Angel Moon**”), an independent third party, entered into a shareholders’ agreement for the formation of a jointly controlled entity, Sea Orient Limited (“**Sea Orient**”), to be held as to 40% by the Group and 60% by Angel Moon for the purpose of acquiring and holding the assets as described below, pending subsequent realisation or disposal. The aforementioned assets comprise of various Renminbi-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 Group has also provided a loan of HK\$140,206,000 to the jointly controlled entity during the six months ended 30th September, 2012.

On 26th September, 2012, the Group intended to dispose of Sea Orient and the loan of HK\$140,206,000 following the receipt of an offer from Angel Moon subject to further negotiation of the price, terms and conditions for the disposal. Therefore, the interest in a jointly controlled entity and loan receivable, which are expected to be sold within twelve months, have been classified as an asset held for sale and are presented separately in the condensed consolidated statement of financial position (included in the table below). On 23rd November, 2012, the Group entered into a sale and purchase agreement with Angel Moon for the disposal of the equity interest in Sea Orient, at a consideration of HK\$210,000,000. The disposal is expected to be completed on 23rd May, 2013. The net proceeds of disposal are expected to exceed the carrying amount of the relevant assets and accordingly, no impairment loss has been recognised.

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

	30.9.2012 <i>HK\$'000</i> Linktop	30.9.2012 <i>HK\$'000</i> Sea Orient	30.9.2012 <i>HK\$'000</i> Total	31.3.2012 <i>HK\$'000</i> Linktop
Interest in an associate	184,772	–	184,772	184,772
Interest in a jointly controlled entity	–	–	–	–
Amount due from a jointly controlled entity	–	140,206	140,206	–
Debtors, deposits and prepayment	–	3	3	5
Bank balances and cash	7	–	7	5
	<u>184,779</u>	<u>140,209</u>	<u>324,988</u>	<u>184,782</u>
Total assets classified as held for sale				
	<u>5</u>	<u>–</u>	<u>5</u>	<u>3</u>
Total liabilities associated with assets classified as held for sale, represented by creditors, deposits and accrued charges				

13. CREDITORS, DEPOSITS AND ACCRUED CHARGES

Included in creditors, deposits and accrued charges are trade creditors of HK\$Nil (31st March, 2012: HK\$2,472,000).

The following is an aged analysis of trade creditors presented based on the invoice date at the end of the reporting period:

	30.9.2012 <i>HK\$'000</i>	31.3.2012 <i>HK\$'000</i>
Trade creditors aged:		
0 – 60 days	–	1,437
61 – 90 days	–	99
Over 90 days	–	936
	<u>–</u>	<u>2,472</u>

INTERIM DIVIDEND

The Board has resolved to pay an interim cash dividend of HK5.0 cents per ordinary share for the six months ended 30th September, 2012 (six months ended 30th September, 2011: Nil) to the holders of the ordinary shares of the Company (the “**Shareholders**”) whose names appear on the register of the members of the Company as at the close of business on Friday, 4th January, 2013 and such interim dividend is expected to be paid to the Shareholders by post on or about Tuesday, 22nd January, 2013.

CLOSURE OF REGISTER OF MEMBERS

The register of the members of the Company will be closed from Wednesday, 2nd January, 2013 to Friday, 4th January, 2013, both dates inclusive, during which period no transfer of the ordinary shares of the Company will be effected. In order to be entitled to the interim dividend, all transfers of the ordinary shares of the Company 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 Monday, 31st December, 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Turnover for the six months ended 30th September, 2012 was HK\$13.9 million, representing a decrease of HK\$76.7 million when compared to the same period last year of HK\$90.6 million due to fewer sales of properties and activities in securities trading. Accordingly, gross profit decreased from HK\$11.6 million for the same period last year to HK\$1.4 million for the current period.

The local property market for the period under review remained robust and the Group has recognised an increase in fair value of investment properties of HK\$24.1 million as compared with the corresponding amount of HK\$57.2 million. There was a net gain on financial instruments of HK\$51.9 million during the current period as compared with a net loss of HK\$51.5 million in same period last year due to better price performance of the Group’s investment portfolio. The Group’s share of losses of associates amounting to HK\$21.3 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 jointly controlled entities increased to HK\$15.9 million was mainly attributable to share of operating results of Paragon Winner (as defined below) since 1st June, 2012.

As disclosed in the announcement dated 19th September, 2012 of the Company, on 31st May, 2012, the Group completed the disposal of 65% interest in Paragon Winner Company Limited (“**Paragon Winner**”) to Million Cube Limited (“**Million Cube**”) and at the same time extended a loan of HK\$205.7 million to Million Cube to partially finance the consideration. Since Million Cube eventually failed to make any repayment of the loan, in September 2012, the Group executed a deed of settlement with Million Cube such that 20% interest in Paragon Winner as held by Million Cube was transferred to the Group as settlement. As a result, a profit from discontinued operation of HK\$442.0 million (mainly includes the net gain on loss of control over subsidiaries), was recognised and the Group recorded a profit for the period of HK\$404.8 million as compared with a net loss of HK\$89.7 million for the same period last year.

Property

Macau:

Empresa De Fomento Industrial E Comercial Concórdia, S.A. (“**Concordia**”), in which the Group has 35.5% effective interest, during the period launched the pre-sale of the third phase comprising of another 2 blocks of residential towers of its development in Cotai South, Macau (the “**Concordia Land**”), named “One Oasis”. Together with previous presale of the first and second phases comprising of 9 blocks of residential tower, sales in aggregate of over 2,100 units with a sale amount in excess of HK\$14.0 billion were secured. More effort was being focused on the construction work with expected completion of phase 1 around end of 2013. Presales of additional phases will strategically be launched at an appropriate time to optimize the sale value.

Hong Kong:

The property interest in the site bordering Tung Lo Wan Road and Shelter Street (the “**Residential Site**”), in which the Group owns 50% interest, will be developed into a luxury high society life-style residential tower. In addition, the Group owns the entire interest in the site at Moreton Terrace (the “**Hotel Site**”) which will be developed into a boutique hotel. The demolition of the existing buildings on both the Residential Site and the Hotel Site has been completed and foundation works are in progress.

The construction of the superstructure at Nos. 703 and 705, Nathan Road (the “**Nathan Road Project**”), in which the Group has 100% interest, is in progress as scheduled. 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. On completion, which is expected around early 2013, the building will become an outstanding superstructure on top of the Mongkok MTR station.

During the current period, the Group has entered into agreements to purchase 12 residential units situated at Nos. 41, 43 and 45 of Pau Chung Street, To Kwa Wan, Kowloon, which comprise 80% of the redevelopment site and thus qualify to apply for acquisition under Chapter 545 – The Land (Compulsory Sale for Redevelopment) Ordinance. However, acquisition of the remaining 3 shop units at the ground floor is being negotiated. The Group planned to redevelop the site into a residential tower with lower-level shops.

PRC:

On 13th December, 2011, the Group entered into an agreement, for the disposal of the entire interest in Linktop Limited (“**Linktop**”) which will contribute to the Group an estimated gain of approximately HK\$85.8 million upon completion as latest scheduled on or before February 2013. Linktop has 45% interest in a joint venture company (the “**JVC**”) which is 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 of approximately 697,746 m² (the “**Guiyang Land**”). During the period under review, model show-houses and the sale office have been completed for launching pre-sales.

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.

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 Land situated at Estrada de Seac Pai Van, Macau	Residential/ Commercial/ Hotel	35.5	2,250,000			
Nathan Road Project situated at Nos.703 and 705, Nathan Road, Mongkok, Kowloon, Hong Kong	Retailing	100	30,000			
Premises situated at 30/F., Bank of America Tower, 12 Harcourt Road, Central, Hong Kong	Commercial	100	13,880			
Hotel Site at No. 7 Moreton Terrace, Causeway Bay, Hong Kong	Hotel	100	31,000			
Residential Site comprising: – Nos. 19-21 Shelter Street, Causeway Bay, Hong Kong – No. 33 Tung Lo Wan Road, Causeway Bay, Hong Kong – Nos. 35, 37, 39-39A, 39B and 39C Tung Lo Wan Road, Causeway Bay, Hong Kong	Residential	50	45,000			
1/F to 4/F., No. 41, 1/F to 4/F., No. 43 and 1/F to 4/F., No. 45, Pau Chung Street, To Kwa Wan, Kowloon, Hong Kong				Residential	100	9,000
Guiyang Land situated at Wudang District, Guiyang City, Guizhou Province, the PRC				Residential/ Commercial/ Cultural/ Recreational resort	45	3,300,000
JY1 Land situated at the junction of Zhongshan Wu Road and Education Road in Yuexiu District, Guangzhou, the PRC	Commercial	100	690,000			
			<i>Situated in:</i>			
			Hong Kong 128,880			
			Macau 2,250,000			
			PRC <u>3,990,000</u>			
			Total <u><u>6,368,880</u></u>			

Golf and Leisure

As a result of the recognition of the net gain on the disposal of the partial interest in Paragon Winner as mentioned above, turnover from the golf and leisure business during the six months ended 30th September, 2012 was HK\$2.0 million (for the six months ended 30th September, 2011: HK\$7.1 million) with a segmental profit of HK\$504.8 million (for the six months ended 30th September, 2011: segmental loss of HK\$6.5 million). At 30th September, 2012, the Group owned 55% equity interest in Paragon Winner which operates the Sun Valley Golf Resort in Sanya, the PRC.

Securities Investments

During the six months ended 30th September, 2012, the Group was less active in securities trading. Turnover and segmental profit from securities investments were HK\$Nil (six months ended 30th September, 2011: HK\$23.3 million) and HK\$52.8 million (six months ended 30th September, 2011: segmental loss of HK\$50.7 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\$200.4 million, mainly comprised securities listed in Hong Kong and Singapore.

Financing

During the six months ended 30th September, 2012, the Group had interest income from other loan receivables of HK\$12.5 million. As at the period end date, other loan receivables of the Group amounted to HK\$283.6 million.

On 28th May, 2012, the Group entered into an agreement in relation to the formation of a joint venture in which the Group has 40% interest (the “GITIC JV”). In proportion to its interest in the joint venture, the Group provided a loan of HK\$140.2 million to the GITIC JV to finance its acquisition of various Renminbi-denominated creditors’ claims and securities held by various vendors against Guangdong International Trust and Investment Corporation. On 23rd November, 2012, the Group has entered into an agreement to dispose of its entire interest in the GITIC JV for a consideration of HK\$210.0 million with an estimated gain of approximately HK\$69.8 million to be recognised upon completion expected in May 2013.

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, 2012, bank loans in aggregate of HK\$24.8 million were drawn down to finance the development of the Hotel Site and the Nathan Road Project. As at the period end date, total borrowings from financial institutions amounted to HK\$310.2 million, of which HK\$37.0 million is repayable after one year. There were unused banking facilities of HK\$418.2 million of which HK\$218.2 million can be utilised to finance the construction of properties and working capital of the Group.

The Group's gearing ratio as at 30th September, 2012 was 0.36 (31st March, 2012: 0.22), determined as the proportion of the Group's bank borrowings of HK\$310.2 million, loan notes of HK\$380.5 million and convertible note payables of HK\$537.8 million (after deducting the pledged bank deposits and the bank and cash balances of HK\$292.6 million) to the Group's shareholders' funds of HK\$2,612.9 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 unfavourable 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

The global economy remains vulnerable given the lagging pace in the United States and Europe's recovery as evidenced by the further quantitative easing measures implemented by various countries. 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 few years. Hopefully, the economy of the PRC may bottom out and some rebound is expected. As a whole, despite of twist in money supply and interest rate, the global economy continues to slow down while remaining highly volatile.

Macau continues to be one of the fastest growing economies in the region with 12.6% growth in GDP for the first half of 2012 and latest unemployment rate remains low at 2.0% driven by the resilient gaming and tourism sectors. In October 2012, the Macau government has implemented further tightening measures including the Buyer's Stamp Duty (the "BSD") on non-permanent residents with an aim to stabilise the property price which would inevitably quiet down the property market in the short run. The Group, through Concordia, remains optimistic about the property market in Macau in the medium and long term 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 due course.

The imposition of the BSD on non-permanent residents and corporate buyers, the increase in the charging rates and extension of holding period for the assessment of the Special Stamp Duty (the "SSD") in Hong Kong has instantly frozen the transactions of residential properties. In particular, the details of the BSD are yet to be announced which cast further uncertainties, investors will be more cautious and take a wait and see attitude towards the property market. While the BSD and the SSD will be effective in curbing short-term foreign demand, with housing supply lags behind, low interest rate environment in the coming years and steady local demand, the Group remains positive about the local property market and expects that the Residential Site, the Hotel Site and the Nathan Road Project to 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, 2012, 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\$805.0 million and property, plant and equipment of HK\$223.8 million.

CONTINGENT LIABILITIES

As at 30th September, 2012, the Company provided a corporate guarantee for loan facilities of HK\$625.0 million (31st March, 2012: HK\$625.0 million) granted to certain jointly controlled entities, which the Group owned 50% interest. The total loan outstanding for the loan facilities as at 30th September, 2012 was HK\$345.7 million. A 50% counter-indemnity was obtained from the ultimate holding company of the owners of the remaining 50% of the jointly controlled entities in relation to the corporate guarantee provided.

NUMBER OF EMPLOYEES, REMUNERATION POLICIES AND SHARE OPTION SCHEME

As at 30th September, 2012, the total number of employees of the Group was 83 (31st March, 2012: 401). 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, 2012.

SECURITIES IN ISSUE

With reference to the announcement of the Company dated 25th May, 2011, the Company issued the 3.25% convertible notes falling due 30 months after the date of their issue in an aggregate principal amount of HK\$589,050,000 with an initial conversion price of HK\$2.200 per share (subject to adjustments) (the "**Repurchase Notes**") upon completion of the repurchase offer made to the holders of 1% convertible notes which were due on 15th June, 2011 with an aggregate outstanding principal amount of HK\$906,000,000 (the "**Repurchase Offer**"). The Repurchase 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.

Referring to the announcement of the Company dated 10th June, 2011, the Company issued the 3.25% convertible notes falling due 30 months after the date of their issue in an aggregate principal amount of HK\$30,000,000 with an initial conversion price of HK\$2.200 per share (subject to adjustments) (the "**Placing Notes**") upon completion of the placing. The Placing 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.

On 10th February, 2012, as part of the consideration of the Repurchase Offer, the Company issued the loan notes in an aggregate principal amount of HK\$393,836,300, which are unsecured, bear interest at a fixed rate of 6% per annum and are due to mature and will automatically be redeemed on the day falling 36 months after the date of their issue as referred to the announcement of the Company dated 3rd February, 2012.

The share option scheme of the Company adopted on 26th August, 2002 (the “**2002 Share Option Scheme**”) was terminated and the new share option scheme of the Company (the “**New Share Option Scheme**”) was adopted at the annual general meeting of the Company held on 17th August, 2012.

As a result of the payment of a final dividend of HK10 cents per share for the year ended 31st March, 2012, the initial conversion price of both the Repurchase Notes and the Placing Notes has been adjusted from HK\$2.200 per share to HK\$2.102 per share with effect from 28th August, 2012.

During the period ended 30th September, 2012, (i) 12,045,454 new shares were issued by the Company upon partial conversion by a holder of the Repurchase Notes in the principal amount of HK\$26,500,000 at the initial conversion price of HK\$2.200 per share; and (ii) 4,545,450 new shares were issued by the Company upon partial conversion by a holder of the Placing Notes in the principal amount of HK\$10,000,000 at the initial conversion price of HK\$2.200 per share.

As at 30th September, 2012, (i) there were 385,130,896 shares in issue; (ii) a total of 18,590,000 share options granted by the Company at an initial exercise price of HK\$2.220 per share (subject to adjustments) remained outstanding; (iii) the Repurchase Notes in an aggregate principal amount of HK\$562,550,000 at the adjusted conversion price of HK\$2.102 per share (subject to adjustments) remained outstanding; (iv) the Placing Notes in an aggregate principal amount of HK\$19,000,000 at the adjusted conversion price of HK\$2.102 per share (subject to adjustments) remained outstanding; (v) 256,000 share options granted under the 2002 Share Option Scheme were lapsed upon resignation of the employees of the Group; and (vi) no share options had been granted under the New Share Option Scheme.

Save as disclosed above, there was no movement in the securities in issue of the Company during the six months ended 30th September, 2012.

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 Corporate Governance Code (the “**Code**”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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, 2012.

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 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, 2012, 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, 2012.

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, 2012 will be despatched to the Shareholders 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, 27th November, 2012

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.*