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

This circular is for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities of the Company.



德祥地產集團有限公司*

ITC PROPERTIES GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code : 199)

- (i) PROPOSED REPURCHASE OF NOTES
DUE ON 15TH JUNE, 2011;
(ii) ISSUE OF NEW NOTES DUE 2013;
(iii) CONNECTED TRANSACTIONS; AND
(iv) PLACING OF PLACING NEW NOTES DUE 2013**

Placing Agent
CCB International Capital Limited



Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders



A notice convening the special general meeting of the Company (the "SGM") to be held at Shop B27, Basement, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong on Friday, 13th May, 2011 at 11:00 a.m. is set out on pages SGM-1 to SGM-4 of this circular. A form of proxy for use at the SGM is also enclosed.

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

* For identification purpose only

Hong Kong, 21st April, 2011

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DEFINITIONS

In this circular, unless the context otherwise requires, the following terms have the following meanings:

“acting in concert”	has the meaning ascribed to it under the Takeovers Code
“Announcement”	the announcement of the Company dated 21st February, 2011
“associate(s)”	has the same meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day (other than Saturday and any day on which a tropical cyclone warning no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning signal is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are generally open for business
“Company”	ITC Properties Group Limited, a company incorporated in Bermuda with limited liability, the issued Shares (Stock Code : 199) of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the same meaning ascribed thereto under the Listing Rules
“Conversion Share(s)”	new Share(s) falling to be allotted and issued by the Company upon exercise of the conversion rights attaching to the New Notes
“Director(s)”	director(s) of the Company
“First Shanghai”	First Shanghai Capital Limited, a corporation licensed to carry out type 6 regulated activity under the SFO and the independent financial adviser to the Independent Board Committee and the Independent Shareholders regarding the Repurchase Offer including the issue of the New Notes and the Conversion Shares thereunder to Selective Choice
“Group”	the Company and its subsidiaries

DEFINITIONS

“Hanny”	Hanny Holdings Limited, a company incorporated in Bermuda with limited liability, the issued shares (Stock Code : 275) of which are listed on the Main Board of the Stock Exchange
“Hanny Conditions”	the approval of the shareholders of Hanny and the compliance of other requirements under the Listing Rules and the Takeovers Code and the Repurchase Code, being the conditions for acceptance of the Repurchase Offer by Loyal Concept
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	independent committee of the Board, comprising all the independent non-executive Directors
“Independent Shareholders”	Shareholders other than ITC, Selective Choice, Ms. Chau and their respective associates
“Independent Third Party(ies)”	third party(ies) who is/are independent of and not connected with the Company and its connected persons
“ITC”	ITC Corporation Limited, a company incorporated in Bermuda with limited liability, the issued shares (Stock Code : 372) of which are listed on the Main Board of the Stock Exchange
“ITC Notes”	the Notes held by Selective Choice in an aggregate outstanding principal amount of HK\$64,000,000 as at the Latest Practicable Date
“Last Trading Day”	18th February, 2011, being the last full trading day of the Shares on the Stock Exchange before the release of the Announcement
“Latest Practicable Date”	19th April, 2011, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

DEFINITIONS

“Loyal Concept”	Loyal Concept Limited, an indirect wholly-owned subsidiary of Hanny and the Noteholder of the Notes in an outstanding principal amount of HK\$270,000,000 as at the Latest Practicable Date
“Macau”	the Macau Special Administrative Region of the People’s Republic of China
“Maturity Date”	the maturity date of the New Notes which shall be the day falling 30 months after the date of the issue of the New Notes
“New Notes”	the 3.25% convertible notes due on the Maturity Date to be issued by the Company in the maximum aggregate principal amount equivalent to the Redemption Amount and convertible into Conversion Shares at an initial conversion price of HK\$2.20 per Conversion Share (subject to adjustments) pursuant to the Repurchase Offer, and “New Note” shall be construed accordingly
“Notes”	the 1% convertible notes due on 15th June, 2011 issued by the Company in an aggregate outstanding principal amount of HK\$906,000,000 as at the Latest Practicable Date, and “Note” shall be construed accordingly
“Noteholder(s)”	holder(s) of the Note(s) or the New Note(s) or the Placing New Note(s) (as the context requires)
“Offer Letter”	the offer letter dated 25th February, 2011 sent by the Company to each of the Noteholders (other than the US Noteholder) in relation to the Repurchase Offer
“Options”	the share options granted by the Company pursuant to the Share Option Scheme
“Placees”	the subscribers of the Placing New Notes to be procured by the Placing Agent who are independent individual(s), institutional or other professional investor(s)
“Placing”	the offer by way of a private placing, on a best effort basis, of the Placing New Notes to the Placees procured by the Placing Agent, subject to the terms and conditions of the Placing Agreement

DEFINITIONS

“Placing Agent”	CCB International Capital Limited, a corporation licensed to carry on types 1 (dealing in securities) and 6 (advising on corporate finance) regulated activities for the purposes of the SFO
“Placing Agreement”	the conditional agreement dated 15th April, 2011 in relation to the Placing entered into between the Company and the Placing Agent
“Placing Conversion Share(s)”	new Share(s) falling to be allotted and issued by the Company upon exercise of the conversion rights attaching to the Placing New Notes
“Placing New Notes”	the 3.25% convertible notes due on the Placing New Notes Maturity Date to be issued by the Company in the maximum aggregate principal amount of HK\$407,550,000 (if the Hanny Conditions are fulfilled) or HK\$704,550,000 (if the Hanny Conditions are not fulfilled) pursuant to the Placing, and “Placing New Note” shall be construed accordingly
“Placing New Notes Maturity Date”	the maturity date of the Placing New Notes which shall be the day falling 30 months after the date of the issue of the Placing New Notes
“Placing Period”	the period commencing from the date of the Placing Agreement and ending at 4:00 p.m. on the Business Day immediately prior to the date of completion of the Placing Agreement
“PRC”	the People’s Republic of China, excluding Hong Kong, Macau and Taiwan for the purpose of this circular
“Redemption Amount”	the amount equal to the sum of the outstanding principal amount and 10% redemption premium of the Notes payable by the Company on redemption of the Notes at maturity in accordance with the terms and conditions of the Notes
“Repurchase Code”	The Hong Kong Code on Share Repurchases
“Repurchase Offer”	an offer made by the Company to the Noteholders to repurchase (subject to the fulfilment of certain conditions precedent) the Notes at their Redemption Amount which will be satisfied by the issue of the New Notes

DEFINITIONS

“Selective Choice”	Selective Choice Investments Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of ITC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened and held to consider and, if thought fit, approve (a) the Repurchase Offer and the transactions contemplated thereunder including the creation and issue of the New Notes and the allotment and issue of the Conversion Shares; and (b) the Placing Agreement and the transactions contemplated thereunder including the creation and issue of the Placing New Notes and the allotment and issue of the Placing Conversion Shares
“Share Option Scheme”	the share option scheme adopted by the Company on 26th August, 2002
“Share(s)”	share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“US Noteholder”	the Noteholder whose address as appeared in the register of Noteholders maintained by the Company as at 25th February, 2011 was in the United States of America
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

LETTER FROM THE BOARD



德祥地產集團有限公司*

ITC PROPERTIES GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code : 199)

Executive Directors:

Mr. Cheung Hon Kit (*Chairman*)
Mr. Chan Fut Yan (*Managing Director*)
Mr. Cheung Chi Kit
Mr. Lai Tsan Tung, David
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

Registered office:

Clarendon House
Church Street
Hamilton HM 11
Bermuda

*Principal place of business
in Hong Kong:*

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

21st April, 2011

*To the Shareholders and, for information only,
the Noteholders*

Dear Sir or Madam,

**(i) PROPOSED REPURCHASE OF NOTES
DUE ON 15TH JUNE, 2011;
(ii) ISSUE OF NEW NOTES DUE 2013;
(iii) CONNECTED TRANSACTIONS; AND
(iv) PLACING OF PLACING NEW NOTES DUE 2013**

INTRODUCTION

On 21st February, 2011, the Company announced that the Board resolved to make the Repurchase Offer to repurchase (subject to the fulfillment of certain conditions precedent) the Notes in the aggregate outstanding principal amount of HK\$906,000,000 at the Redemption Amount from the Noteholders. The purchase price of the Notes for which the Repurchase Offer is accepted is proposed to be satisfied by the issue of the New Notes at the Redemption Amount.

* *For identification purpose only*

LETTER FROM THE BOARD

On 1st April, 2011, the Company announced that at 4:00 p.m. on 31st March, 2011, being the latest time for acceptance of the Repurchase Offer, Noteholders of the Notes with an aggregate outstanding principal amount of HK\$265,500,000 have tendered acceptances to the Repurchase Offer, while Noteholders of the Notes with an aggregate outstanding principal amount of HK\$370,500,000 have not accepted or been extended the Repurchase Offer. Loyal Concept, a Noteholder of the Notes with an outstanding principal amount of HK\$270,000,000, has conditionally accepted the Repurchase Offer subject to the fulfillment of the Hanny Conditions.

The Notes for which the Repurchase Offer has not been accepted or extended will be redeemed by the Company in cash using its internal resources. For the purpose of replenishing the internal resources that will be utilised for the redemption of the Notes for which the Repurchase Offer has not been extended or accepted, the Company announced that, on 15th April, 2011 (after trading hours of the Stock Exchange), it had entered into the Placing Agreement with the Placing Agent, pursuant to which the Placing Agent agreed, on a best effort basis, to procure not less than six (6) Places for the Placing New Notes with an aggregate principal amount of up to HK\$407,550,000 (if the Hanny Conditions are fulfilled) or HK\$704,550,000 (if the Hanny Conditions are not fulfilled) upon the terms and subject to the conditions of the Placing Agreement. The Placing New Notes are to be issued on substantially the same terms as the New Notes.

The Repurchase Offer constitutes an exempt share repurchase by the Company under the Repurchase Code. Selective Choice is the holder of the ITC Notes in an aggregate outstanding principal amount of HK\$64,000,000. By virtue of the fact that Selective Choice is an indirect wholly-owned subsidiary of ITC, which is in turn a substantial Shareholder indirectly holding 139,583,474 Shares, representing approximately 24.71% of the total issued Shares as at the Latest Practicable Date, and therefore a connected person of the Company, the Repurchase Offer made, and the possible issue of the New Notes and the Conversion Shares, to Selective Choice constitute connected transactions for the Company under Chapter 14A of the Listing Rules. The Repurchase Offer and the transactions contemplated thereunder including the issue of the New Notes and the Conversion Shares will be subject to the approval of the Independent Shareholders by way of poll at the SGM.

Selective Choice and Ms. Chau Mei Wah, Rosanna (“Ms. Chau”), the deputy chairman and managing director of ITC, are the Noteholders of the Notes and have material interests in the Repurchase Offer including the issue of the New Notes and the Conversion Shares. Therefore, ITC, Selective Choice, Ms. Chau and their respective associates will abstain from voting on the ordinary resolution to be proposed at the SGM to approve the Repurchase Offer and the transactions contemplated thereunder including the issue of the New Notes and the Conversion Shares. Any Noteholder who also holds Shares is considered to have a material interest in the Repurchase Offer and, in accordance with the Listing Rules, is required to abstain from voting on the resolution to be proposed at the SGM to approve the Repurchase Offer and the transactions contemplated thereunder including the issue of the New Notes and the Conversion Shares.

An Independent Board Committee has been constituted by the Company to advise the Independent Shareholders in relation to the Repurchase Offer including the issue of the New Notes and the Conversion Shares thereunder, to Selective Choice. First Shanghai has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

LETTER FROM THE BOARD

The Placing Conversion Shares will be issued under a specific mandate to be sought from the Shareholders at the SGM. The Placing Agreement and the transactions contemplated thereunder, including the issue of the Placing New Notes and the Placing Conversion Shares, will be subject to the approval of the Shareholders by way of poll at the SGM.

Selective Choice and Ms. Chau are Noteholders who have accepted the Repurchase Offer. Selective Choice and its holding company, ITC, and Ms. Chau are not required to abstain from voting on the ordinary resolution to be proposed at the SGM to approve the Placing Agreement and the transactions contemplated thereunder including the issue of the Placing New Notes and the Placing Conversion Shares by reason that (i) the Placing New Notes are issued to raise fund solely for repayment to the Noteholders holding the Notes who have not accepted or been extended the Repurchase Offer; (ii) the Company will utilise its internal resources but not the proceeds from the Placing to repay the Noteholders holding the Notes who have accepted the Repurchase Offer in the event that the Repurchase Offer is not approved by the Independent Shareholders; (iii) none of the Placees shall be a subscriber of the New Notes pursuant to the terms of the Placing Agreement; and (iv) the Placing is not conditional on completion of the Repurchase Offer. Any Noteholder who has not accepted the Repurchase Offer and holds Shares is considered to have a material interest in the Placing and, in accordance with the Listing Rules, is required to abstain from voting on the resolution to be proposed at the SGM to approve the Placing Agreement and the transactions contemplated thereunder.

The purpose of this circular is to provide you with, among other things, (i) details of the Repurchase Offer including the issue of the New Notes and the Conversion Shares; (ii) the letter of recommendation from the Independent Board Committee to the Independent Shareholders on the Repurchase Offer including the issue of the New Notes and the Conversion Shares thereunder to Selective Choice; (iii) the letter of advice from First Shanghai to the Independent Board Committee and the Independent Shareholders in relation to the Repurchase Offer including the issue of the New Notes and the Conversion Shares thereunder to Selective Choice; (iv) details of the Placing Agreement including the issue of the Placing New Notes and the Placing Conversion Shares; (v) other information as required under the Listing Rules; and (vi) the notice to convene the SGM.

THE NOTES

The Directors refer to the Company's announcement dated 28th April, 2006 and circular dated 22nd May, 2006 in relation to the placing of the Notes convertible into Shares at an initial conversion price of HK\$0.70 per Share (subject to adjustments) in an aggregate principal amount of up to HK\$1,000,000,000.

Notes with aggregate principal amount of HK\$1,000,000,000 were successfully placed and issued by the Company on 15th June, 2006. As at 25th February, 2011, the aggregate outstanding principal amount of the Notes was HK\$906,000,000 and the Notes were held by 15 Noteholders based on the register of Noteholders maintained by the Company. Based on the information on the aforesaid register and the register maintained by the Company pursuant to Part XV of the SFO and so far as was known to the Directors, as at the Latest Practicable Date, other than Selective Choice and its associates, none of the other Noteholders was interested in 10% or more of the Shares. Ms. Chau, was the Noteholder of the Notes in an outstanding principal amount of HK\$10,000,000 and held 3,200,000 Shares, representing approximately 0.57% of the total issued share capital of the Company as at the Latest Practicable Date. As a result of intervening corporate exercises of the Company, the prevailing conversion price of the Notes is HK\$8.904 per Share (subject to adjustments). Pursuant to the terms of the Notes, 101,751,994 new Shares will fall to be issued upon full conversion of the Notes at the prevailing conversion price of HK\$8.904 per Share (subject to adjustments).

LETTER FROM THE BOARD

The ITC Notes in the aggregate outstanding principal amount of HK\$64,000,000 is held by Selective Choice, an indirect wholly-owned subsidiary of ITC. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, except for ITC and Selective Choice, which are connected persons of the Company by virtue of the fact that ITC indirectly held 139,583,474 Shares, representing approximately 24.71% of the total issued Shares as at the Latest Practicable Date, the other Noteholders and their ultimate beneficial owners are third parties independent of the Company and the connected persons of the Company. Selective Choice is an investment holding company and the other Noteholders are independent individual, corporate and/or institutional investors.

The Notes will mature on 15th June, 2011. In accordance with the terms of the Notes, the Company shall redeem the Notes in full on the maturity date in cash at the Redemption Amount which amounts to HK\$996,600,000, representing the sum of the aggregate outstanding principal amount of HK\$906,000,000 and the 10% redemption premium of HK\$90,600,000. In addition, on the same day, the Company shall also pay the 1% interest per annum accrued on the Notes to the Noteholders in cash, which amounts to HK\$9,060,000 in total.

THE REPURCHASE OFFER

Principal terms of the Repurchase Offer

The Company proposed to make the Repurchase Offer to repurchase (subject to the fulfilment of certain conditions precedent described below) the Notes at the Redemption Amount. The purchase price of the Notes for which the Repurchase Offer is accepted is proposed to be satisfied by the issue of the New Notes at the Redemption Amount. Partial acceptance of the Repurchase Offer (in HK\$500,000 or integral multiples thereof) by a Noteholder will be permitted.

The Company sent the Offer Letter to each of the Noteholders (other than the US Noteholder) on 25th February, 2011. The Company expects to issue the New Notes within seven (7) Business Days after the fulfillment of the conditions precedent as referred to below, which is anticipated to be in or around May 2011.

The Notes tendered for acceptance under the Repurchase Offer will be cancelled.

For the Noteholders not accepting the Repurchase Offer, the relevant Redemption Amount and the 1% interest per annum accrued on the relevant Notes will be paid to them in cash on 15th June, 2011, which is the maturity date of the Notes.

Overseas Noteholders

The making of the Repurchase Offer and the issue of the New Notes and the Conversion Shares to the Noteholders not resident in Hong Kong may be affected by the laws of the relevant jurisdictions in which the Noteholders reside. These Noteholders must inform themselves about and observe any applicable legal requirements. It is the responsibility of the Noteholders outside Hong Kong wishing to accept the Repurchase Offer to satisfy themselves as to the full observance of the laws of the relevant territory in connection therewith, including the obtaining of any governmental or other consent which may be required or the compliance with necessary formalities.

Based on the register of Noteholders maintained by the Company as at 25th February, 2011, there were 11 Noteholders whose addresses were outside Hong Kong (including the United States of America, the Cayman Islands and the British Virgin

LETTER FROM THE BOARD

Islands) holding Notes in an aggregate principal amount of HK\$560,000,000. Based on the legal advice provided by the legal advisers in the relevant jurisdictions, the Directors were of the view that it would be necessary and expedient to exclude the US Noteholder (who held the Notes in an outstanding principal amount of HK\$12 million as at the Latest Practicable Date) from the Repurchase Offer as the making of the Repurchase Offer and the issue of the New Note and the Conversion Shares to the US Noteholder would, or might, in the absence of compliance with registration or other special formalities, be unlawful or impracticable and the cost to be incurred would outweigh the possible benefits to the US Noteholder and the Company. The Company has been advised by its legal advisers on the laws of the Cayman Islands and the British Virgin Islands that there is no legal restriction (or there are applicable exemptions) under the applicable legislation or requirement or any regulatory body or stock exchange with respect to the making of the Repurchase Offer and the issue of the New Notes and the Conversion Shares to the overseas Noteholders with registered addresses in the Cayman Islands and the British Virgin Islands. In view of this, the Company has sent the Offer Letters to the overseas Noteholders with registered addresses in the Cayman Islands and the British Virgin Islands.

Taxation

The Noteholders should consult their own professional advisers if they are in any doubt as to the taxation implications of their acceptances of the Repurchase Offer and issue of the New Notes and the Conversion Shares. It is emphasised that none of the Company or any of the Directors or any other person involved accepts any responsibility for any tax effects on, or liabilities of, any Noteholders as a result of their acceptances of the Repurchase Offer and issue of the New Notes and the Conversion Shares.

Conditions precedent

The Repurchase Offer (including the issue of the New Notes and the Conversion Shares pursuant to the acceptance of the Repurchase Offer) will be conditional upon:

- (i) the passing of the ordinary resolution by the Independent Shareholders at the SGM approving the Repurchase Offer and the transactions contemplated thereunder including the issue of the New Notes and the Conversion Shares;
- (ii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Conversion Shares;
- (iii) the compliance of any other requirements under the Listing Rules, Takeovers Code and Repurchase Code or otherwise of the Stock Exchange and the Securities and Futures Commission of Hong Kong which requires compliance in relation to the creation and the issue of the New Notes and the issue of the Conversion Shares;
- (iv) (where required) the Bermuda Monetary Authority granting its permission to the creation and the issue of the New Notes and the allotment and issue of the Conversion Shares; and
- (v) the obtaining of all consents from any relevant persons which are necessary or desirable in connection with the creation and the issue of the New Notes (and, where such consents are given subject to the conditions, such conditions are on the terms as may be reasonably acceptable to the Company).

LETTER FROM THE BOARD

If any of the above conditions has not been fulfilled by 4:00 p.m. on 31st May, 2011, the Repurchase Offer will not proceed.

As at the Latest Practicable Date, none of the above conditions has been satisfied.

Level of acceptance

On 25th February, 2011, the Company sent the Offer Letter to each of the Noteholders (other than the US Noteholder). According to the Offer Letter, the acceptance period of the Repurchase Offer ended at 4:00 p.m. on 31st March, 2011 (the "Acceptance Date").

Up to 4:00 p.m. on the Acceptance Date, Noteholders of the Notes with an aggregate outstanding principal amount of HK\$265,500,000 have tendered acceptances to the Repurchase Offer, while Noteholders of the Notes with an aggregate outstanding principal amount of HK\$370,500,000 have not accepted or been extended the Repurchase Offer. Loyal Concept, Noteholder of the Notes with an outstanding principal amount of HK\$270,000,000, has conditionally accepted the Repurchase Offer subject to the fulfillment of the Hanny Conditions. Noteholders who have accepted the Repurchase Offer include Selective Choice, Ms. Chau, an individual investor and five independent institutional investors. In light of the acceptances above, the Board has resolved to issue the New Notes in the Redemption Amount of HK\$292,050,000 to those Noteholders who have unconditionally accepted the Repurchase Offer in accordance with the terms and conditions of each relevant Offer Letter. The conditional acceptance of Loyal Concept shall be treated as valid if the Hanny Conditions are fulfilled by 31st May, 2011 (being the same day on which the conditions of the Repurchase Offer are to be fulfilled). In such event, the New Notes in the Redemption Amount of HK\$297,000,000 will also be issued to Loyal Concept in accordance with the terms and conditions of the Repurchase Offer, and the aggregate principal amount of the New Notes to be issued would be HK\$589,050,000.

The Company will send to each of the Noteholders who has accepted the Repurchase Offer a written notification within two (2) Business Days after the fulfillment of the conditions precedent to the Repurchase Offer as set out in the paragraph headed "Conditions precedent" above. The New Notes will be issued to the Noteholders who have accepted the Repurchase Offer within five (5) Business Days after the date of such notification (the "New Issue Date"). On the condition that the Company receives, by no later than 4:00 p.m. on the New Issue Date, the original certificate(s) of the Note(s) for cancellation, the Company will issue the New Notes in the principal amount equivalent to the (aggregate, if applicable) outstanding principal amount of the Note(s) which the Noteholder(s) has (have) accepted under the Repurchase Offer plus the 10% redemption premium thereof payable on maturity of the Note(s). For the aforementioned Notes which are repurchased under the Repurchase Offer, the 1% interest per annum accrued on the Notes from the last payment date on 15th June, 2010 up to and excluding the date of issue of the New Notes will be paid to the Noteholders accepting the Repurchase Offer on the 5th Business Day after the New Issue Date.

LETTER FROM THE BOARD

The Notes for which the Repurchase Offer has not been extended or accepted will be redeemed by the Company in accordance with the terms of the Notes by using its internal resources. Based on the results of the Repurchase Offer as disclosed above, the Redemption Amount of HK\$407,550,000 together with the 1% interest per annum accrued on the Notes will be paid to the Noteholders who have not accepted or been extended the Repurchase Offer in cash by the Company using its internal resources on 15th June, 2011. If the Hanny Conditions are not fulfilled by 31st May, 2011, the Company will also redeem the Notes held by Loyal Concept and pay the Redemption Amount of HK\$297,000,000 together with the 1% interest accrued on the Notes in cash by utilising its internal resources and/or bank financing on 15th June, 2011.

THE PLACING AGREEMENT

Date

15th April, 2011 (after trading hours of the Stock Exchange)

Parties

Issuer: The Company

Placing Agent: CCB International Capital Limited

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the Placing Agent and its ultimate beneficial owner(s) are Independent Third Parties.

Securities to be placed

Subject to the fulfillment of the conditions precedent to the Placing Agreement as described below, the Placing Agent has agreed to use its best endeavours during the Placing Period to procure not less than six (6) Placees to subscribe for the Placing New Notes with an aggregate principal amount of up to HK\$407,550,000 (if the Hanny Conditions are fulfilled) or HK\$704,550,000 (if the Hanny Conditions are not fulfilled). The Placing Agent will use all its reasonable endeavours to ensure that the Placees and their ultimate beneficial owners are third parties independent of and not connected with or acting in concert with the Company, each of the subscribers of the New Notes to be issued pursuant to the Repurchase Offer, and their respective connected persons and concert parties, and are not connected persons of the Company. None of the Placees shall be a subscriber of the New Notes. The final maximum amount of the Placing New Notes to be placed by the Placing Agent shall be determined by 31st May, 2011, being the last day for fulfillment of the Hanny Conditions and the conditions of the Repurchase Offer.

Placing commission

A commission of 2% of the aggregate principal amount of the Placing New Notes successfully taken up by the Placees and fully paid shall be payable by the Company to the Placing Agent upon completion of the Placing Agreement.

LETTER FROM THE BOARD

Conditions precedent

Completion of the Placing Agreement shall be conditional upon:

- (i) the passing of the ordinary resolution by the Shareholders at the SGM approving the Placing and the creation and issue of the Placing New Notes under the Placing and the issue and allotment of the Placing Conversion Shares;
- (ii) the Listing Committee of the Stock Exchange agreeing to grant the listing of, and permission to deal in, the Placing Conversion Shares;
- (iii) the compliance of any other requirements under the Listing Rules and the Takeovers Code or otherwise of the Stock Exchange and the Securities and Futures Commission which requires compliance in relation to the Placing, the issue of the Placing New Notes and the Placing Conversion Shares;
- (iv) (where required) the Bermuda Monetary Authority granting its permission to the issue of the Placing New Notes, the transferability of the Placing New Notes and the issue and allotment of the Placing Conversion Shares; and
- (v) the obtaining of all consents, approvals (or waivers), authorisations, permissions or exemptions from any relevant persons which are necessary in connection with the Placing and the creation and issue of the Placing New Notes (and, where such consents are given subject to conditions, such conditions are on terms as may be reasonably acceptable to the Placing Agent and the Company).

Subject to the fulfillment of all the conditions precedent above, completion of the Placing shall take place on the date of issue of the New Notes (or such other date as the Company and the Placing Agent shall agree in writing).

If any of the above conditions precedent has not been fulfilled by 4:00 p.m. on 31st May, 2011 (or such other date as the parties to the Placing Agreement may agree in writing), the Placing Agreement shall lapse and be terminated and no party shall have any claim against the other under the Placing Agreement except for any antecedent breach.

As at the Latest Practicable Date, none of the above conditions has been satisfied.

Undertaking by the Company

The Company shall not from the date of the Placing Agreement until after the date of completion of the Placing Agreement issue any Shares or issue or grant any share options or other securities convertible into, exchangeable for or which carry rights to acquire Shares (other than (i) the Placing New Notes and the New Notes; (ii) Shares which may fall to be issued upon the exercise of the share options granted under the Share Option Scheme; and (iii) Shares which may fall to be issued upon the exercise of the conversion rights attached to the Notes).

LETTER FROM THE BOARD

Termination

If, at any time prior to 4:00 p.m. on the Business Day prior to the date of completion of the Placing Agreement:

- (i) the success of the Placing would or might be adversely affected by:
 - (a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the reasonable opinion of the Placing Agent adversely affect the business or the financial or trading position of the Group as a whole or is adverse in the context of the Placing;
 - (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof), of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the reasonable opinion of the Placing Agent adversely affect the business or the financial or trading position of the Group as a whole or adversely prejudice the success of the Placing or otherwise makes it inexpedient or inadvisable to proceed with the Placing;
 - (c) any change, or development (whether or not permanent) involving a prospective change, in or affecting the business, general affairs, management, assets and liabilities, shareholders' equity, results of operations or position, financial or otherwise, of the Company or the Group as a whole, whether or not arising in the ordinary course of business which in the reasonable opinion of the Placing Agent will materially and adversely prejudice the success of the Placing; or
 - (d) any event, or series of events beyond the reasonable control of the Placing Agent (including, without limitation, acts of government, strikes, labour disputes, lock-outs, fire, explosion, flooding, civil commotion, economic sanctions, epidemic, pandemic, outbreak of infectious disease, terrorism, outbreak or escalation of hostilities (whether local, national or international), acts of war and acts of God) which in the reasonable opinion of the Placing Agent will materially and adversely prejudice the success of the Placing;
- (ii) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension of or restriction in trading in securities) occurs which in the reasonable opinion of the Placing Agent is likely to adversely affect the success of the Placing or otherwise makes it inexpedient or inadvisable to proceed with the Placing;

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- (iii) there is any suspension of the trading the Company's securities on the Stock Exchange for a period of more than twenty-one consecutive trading days, excluding any suspension in connection with the clearance of the announcement of the Company dated 15th April, 2011 or other announcements or circulars in connection with the Placing; or
- (iv) there is any breach of any of the representations and warranties given by the Company in the Placing Agreement which will have an adverse effect on the Group's business, finance or trading position,

then and in any such case, the Placing Agent may, after consultation with the Company, terminate the Placing Agreement without liability to the Company by giving notice in writing to the Company, provided that such notice is received prior to 4:00 p.m. on the Business Day prior to the date of completion of the Placing Agreement.

In the event the Placing Agent terminates the Placing Agreement pursuant to the above, all obligations of each of the parties under the Placing Agreement shall cease and determine and no party shall have any claim against the other in respect of any matter arising out of or in connection with the Placing Agreement, except for any breach arising prior to such termination.

PRINCIPAL TERMS AND CONDITIONS OF THE NEW NOTES AND THE PLACING NEW NOTES

The principal terms and conditions of the New Notes and the Placing New Notes are summarised as follows:

Issuer:	The Company
Maximum principal amount:	The New Notes: HK\$292,050,000 (if the Hanny Conditions are not fulfilled) or HK\$589,050,000 (if the Hanny Conditions are fulfilled) The Placing New Notes: Up to HK\$407,550,000 (if the Hanny Conditions are fulfilled) or up to HK\$704,550,000 (if the Hanny Conditions are not fulfilled)

LETTER FROM THE BOARD

Initial conversion price:	HK\$2.20 per Conversion Share or Placing Conversion Share (as the case may be), subject to usual anti-dilution adjustments in certain events including, among other things, share consolidation, share subdivision, capitalisation issue, capital distribution and rights issue.
Maturity Date/Placing New Notes Maturity Date:	The day falling 30 months after the date of issue of the New Notes/the Placing New Notes.
Interest rate:	3.25% per annum payable annually in arrear for the first 24 months, and on the Maturity Date or the Placing New Notes Maturity Date (as the case may be) for the last six (6) months.
Redemption:	Unless previously converted or purchased and cancelled, the Company shall redeem each New Note/Placing New Note on the Maturity Date/the Placing New Notes Maturity Date at the redemption amount which is 105% of the outstanding principal amount of such New Note/Placing New Note. Before the Maturity Date/the Placing New Notes Maturity Date, the Company or any of its subsidiaries may purchase the New Notes/the Placing New Notes at any price as agreed between the Company or such subsidiary and the holders of the New Notes/the Placing New Notes.
Transferability:	The New Notes/the Placing New Notes are freely transferable but may not be transferred to a connected person of the Company without the prior written consent of the Company and the compliance with all regulatory approvals or requirements.
Conversion period:	The holders of the New Notes/the Placing New Notes shall have the right to convert, on any Business Day commencing from the 15th day after the date of issue of the New Notes/the Placing New Notes up to and including the date which is 15 days prior to the Maturity Date/the Placing New Notes Maturity Date, the whole or any part (in an amount or integral multiple of HK\$500,000) of the principal amount of the New Notes/the Placing New Notes into Shares at the then prevailing conversion price.

LETTER FROM THE BOARD

- Voting: The holders of the New Notes/the Placing New Notes will not be entitled to receive notice of, attend or vote at any general meeting of the Company by reason only of it being the holders of the New Notes/the Placing New Notes.
- Listing: No application will be made for the listing of the New Notes/the Placing New Notes on the Stock Exchange or any other stock exchange.
- Ranking: The Conversion Shares/the Placing Conversion Shares will rank *pari passu* in all respects with all other existing Shares outstanding at the date of conversion notice of the New Notes/the Placing New Notes served by the Noteholders.

CONVERSION PRICE

The initial conversion price of HK\$2.20 per Conversion Share/Placing Conversion Share represents:

- (i) a premium of approximately 19.57% over the closing price of HK\$1.84 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 6.80% over the closing price of HK\$2.06 per Share as quoted on the Stock Exchange on 15th April, 2011, being the date of the Placing Agreement;
- (iii) a premium of approximately 20.88% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day of approximately HK\$1.82 per Share;
- (iv) a premium of approximately 6.80% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last five consecutive trading days up to and including 15th April, 2011 of HK\$2.06 per Share;
- (v) a premium of approximately 7.84% over the closing price of HK\$2.04 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (vi) a discount of approximately 48.11% to the unaudited net asset value per Share of approximately HK\$4.24 based on the unaudited equity attributable to owners of the Company of approximately HK\$2,392.4 million as at 30th September, 2010 and the 564,919,597 Shares in issue as at that date.

The initial conversion price of the New Notes was determined by the Company with reference to the prevailing market price of the Shares, whilst the initial conversion price of the Placing New Notes was determined after arm's length negotiations between the Company and the Placing Agent with reference to the prevailing market price of the Shares and the conversion price of the New Notes.

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The New Notes are issued for the purpose of satisfying the purchase price payable to the Noteholders who have accepted the Repurchase Offer. The proceeds from the issue of the New Notes to the Noteholders who accepted the Repurchase Offer, net of expenses, are estimated to be approximately HK\$587.1 million (if the Hanny Conditions are fulfilled and the New Notes in maximum aggregate principal amount of HK\$589,050,000 are issued) or HK\$290.1 million (if the Hanny Conditions are not fulfilled and the New Notes in the maximum aggregate principal amount of HK\$292,050,000 are issued). The net price of each Conversion Share under the New Notes is approximately HK\$2.19 (if the Hanny Conditions are fulfilled) or HK\$2.18 (if the Hanny Conditions are not fulfilled).

The proceeds from the Placing, net of expenses, are estimated to be approximately HK\$399.0 million (if the Hanny Conditions are fulfilled and the Placing New Notes in the maximum aggregate principal amount of HK\$407,550,000 are issued) or HK\$690.1 million (if the Hanny Conditions are not fulfilled and the Placing New Notes in the maximum aggregate principal amount of HK\$704,550,000 are issued) and are intended to be specifically used to replenish the internal resources that will be utilised by the Company for redemption of the Notes for which the Repurchase Offer has not been extended or accepted. The net price of each Placing Conversion Share under the Placing New Notes is approximately HK\$2.15 (if the Hanny Conditions are fulfilled) or HK\$2.15 (if the Hanny Conditions are not fulfilled). For the avoidance of doubt, the proceeds from the Placing, net of expenses, will not be used to satisfy the payment to the Noteholders who have accepted the Repurchase Offer in the event that the Repurchase Offer is not approved by the Independent Shareholders.

CONVERSION SHARES

Based on the acceptance level of the Repurchase Offer and subject to the fulfillment of the conditions precedent of the Repurchase Offer set out above, the New Notes in the aggregate principal amount of HK\$589,050,000 (if the Hanny Conditions are fulfilled) or HK\$292,050,000 (if the Hanny Conditions are not fulfilled) will be issued. Assuming the Hanny Conditions are fulfilled and the New Notes in the aggregate principal amount of HK\$589,050,000 are converted in full at the initial conversion price of HK\$2.20 per Conversion Share, a total of 267,750,000 Conversion Shares with an aggregate nominal value of HK\$2,677,500 will be issued, representing approximately (i) 47.40% of the existing issued share capital of the Company; (ii) 32.16% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares; and (iii) 26.30% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares and the Placing Conversion Shares assuming conversion in full of the New Notes and the Placing New Notes both at the initial conversion price of HK\$2.20 per Conversion Share or Placing Conversion Share. Assuming the Hanny Conditions are not fulfilled and the New Notes in the aggregate principal amount of HK\$292,050,000 are converted in full at the initial conversion price of HK\$2.20 per Conversion Share, a total of 132,750,000 Conversion Shares with an aggregate nominal value of HK\$1,327,500 will be issued, representing approximately (i) 23.50% of the existing issued share capital of the Company; (ii) 19.03% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares; and (iii) 13.04% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares and the Placing Conversion Shares assuming conversion in full of the New Notes and the Placing New Notes both at the initial conversion price of HK\$2.20 per Conversion Share or Placing Conversion Share.

The Conversion Shares will be issued under a specific mandate to be sought from the Independent Shareholders at the SGM. The Conversion Shares, when issued, will rank *pari passu* in all respects with the Shares in issue as at the date of conversion notice of the New Notes served by the Noteholders. An application will be made by the Company for the listing of, and permission to deal in, the Conversion Shares.

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PLACING CONVERSION SHARES

Assuming the Hanny Conditions are fulfilled and the Placing New Notes in the aggregate principal amount of HK\$407,550,000 will be issued, a total of 185,250,000 Placing Conversion Shares with an aggregate nominal value of HK\$1,852,500 will be issued upon conversion in full of the Placing New Notes at the initial conversion price of HK\$2.20 per Placing Conversion Share, representing approximately (i) 32.79% of the existing issued share capital of the Company; (ii) 24.69% of the issued share capital of the Company as enlarged by the issue of the Placing Conversion Shares; and (iii) 18.20% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares and the Placing Conversion Shares assuming conversion in full of the New Notes and the Placing New Notes both at the initial conversion price of HK\$2.20 per Conversion Share or Placing Conversion Share.

Assuming the Hanny Conditions are not fulfilled and the Placing New Notes in the aggregate principal amount of HK\$704,550,000 will be issued, a total of 320,250,000 Placing Conversion Shares with an aggregate nominal value of HK\$3,202,500 will be issued upon conversion in full of the Placing New Notes at the initial conversion price of HK\$2.20 per Placing Conversion Share, representing approximately (i) 56.69% of the existing issued share capital of the Company; (ii) 36.18% of the issued share capital of the Company as enlarged by the issue of the Placing Conversion Shares; and (iii) 31.46% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares and the Placing Conversion Shares assuming conversion in full of the New Notes and the Placing New Notes both at the initial conversion price of HK\$2.20 per Conversion Share or Placing Conversion Share.

The Placing Conversion Shares will be issued under a specific mandate to be sought from the Shareholders at the SGM. The Placing Conversion Shares, when issued, will rank *pari passu* in all respects with the Shares in issue as at the date of the conversion notice served by the Noteholder in accordance with the terms and conditions of the Placing New Notes. An application will be made by the Company for the listing of, and permission to deal in, the Placing Conversion Shares.

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is a table showing the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after full conversion of the New Notes at the initial conversion price of HK\$2.20 per Conversion Share assuming the Hanny Conditions are fulfilled; (iii) immediately after full conversion of the New Notes at the initial conversion price of HK\$2.20 per Conversion Share assuming the Hanny Conditions are not fulfilled; (iv) immediately after full conversion of the Placing New Notes at the initial conversion price of HK\$2.20 per Placing Conversion Share assuming the Placing New Notes up to HK\$407,550,000 are subscribed by the Placees and the New Notes are not issued; (v) immediately after full conversion of the Placing New Notes at the initial conversion price of HK\$2.20 per Placing Conversion Share assuming the Placing New Notes up to HK\$704,550,000 are subscribed by the Placees and the New Notes are not issued; (vi) immediately after full conversion of the New Notes and the Placing New Notes at the initial conversion price of HK\$2.20 per Conversion Share/Placing Conversion Share assuming the Hanny Conditions are fulfilled and the Placing New Notes of up to HK\$407,550,000 are subscribed by the Placees; and (vii) immediately after full conversion of the New Notes and the Placing New Notes at the initial conversion price of HK\$2.20 per Conversion Share/Placing Conversion Share assuming the Hanny

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Conditions are not fulfilled and the Placing New Notes of up to HK\$704,550,000 are subscribed by the Placees. The table below assumes there is no other change in the issued share capital and the shareholding structure of the Company after the Latest Practicable Date.

Shareholders	(i) As at the Latest Practicable Date		(ii) Immediately after full conversion of the New Notes at the initial conversion price of HK\$2.20 per Conversion Share assuming the Hanny Conditions are fulfilled		(iii) Immediately after full conversion of the New Notes at the initial conversion price of HK\$2.20 per Conversion Share assuming the Hanny Conditions are not fulfilled		(iv) Immediately after full conversion of the Placing New Notes at the initial conversion price of HK\$2.20 per Placing Conversion Share assuming the Placing New Notes up to HK\$407,550,000 are subscribed by the Placees and the New Notes are not issued		(v) Immediately after full conversion of the Placing New Notes at the initial conversion price of HK\$2.20 per Placing Conversion Share assuming the Placing New Notes up to HK\$704,550,000 are subscribed by the Placees and the New Notes are not issued		(vi) Immediately after full conversion of the New Notes and the Placing New Notes at the initial conversion price of HK\$2.20 per Conversion Share/Placing Conversion Share, assuming the Hanny Conditions are fulfilled and the Placing New Notes of up to HK\$407,550,000 are subscribed by the Placees		(vii) Immediately after full conversion of the New Notes and the Placing New Notes at the initial conversion price of HK\$2.20 per Conversion Share/Placing Conversion Share, assuming the Hanny Conditions are not fulfilled and the Placing New Notes of up to HK\$704,550,000 are subscribed by the Placees	
	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %
Selective Choice (Note 1)	139,583,474	24.71	171,583,474	20.61	171,583,474	24.59	139,583,474	18.61	139,583,474	15.77	171,583,474	16.86	171,583,474	16.86
Dr. Chan Kwok Keung, Charles (Note 2)	6,066,400	1.07	6,066,400	0.73	6,066,400	0.87	6,066,400	0.81	6,066,400	0.69	6,066,400	0.60	6,066,400	0.60
Mr. Cheung Hon Kit (Note 3)	14,202,000	2.51	14,202,000	1.71	14,202,000	2.04	14,202,000	1.89	14,202,000	1.60	14,202,000	1.40	14,202,000	1.40
Ms. Chau (Note 2)	3,200,000	0.57	8,200,000	0.98	8,200,000	1.17	3,200,000	0.43	3,200,000	0.36	8,200,000	0.80	8,200,000	0.80
Loyal Concept (Note 4)	-	-	135,000,000	16.21	-	-	-	-	-	-	135,000,000	13.26	-	-
Other Noteholders (Note 5)	-	-	95,750,000	11.50	95,750,000	13.72	-	-	-	-	95,750,000	9.41	95,750,000	9.41
The Placees (Note 6)	-	-	-	-	-	-	185,250,000	24.69	320,250,000	36.18	185,250,000	18.20	320,250,000	31.46
Other public Shareholders	401,867,723	71.14	401,867,723	48.26	401,867,723	57.61	401,867,723	53.57	401,867,723	45.40	401,867,723	39.47	401,867,723	39.47
Total	564,919,597	100.00	832,669,597	100.00	697,669,597	100.00	750,169,597	100.00	885,169,597	100.00	1,017,919,597	100.00	1,017,919,597	100.00

Notes:

- As at the Latest Practicable Date, Selective Choice, an indirect wholly-owned subsidiary of ITC, held 139,583,474 Shares. Selective Choice has accepted the Repurchase Offer in respect of the ITC Notes held by it in the outstanding principal amount of HK\$64,000,000. Accordingly, New Notes with principal amount of HK\$70,400,000 will be issued to Selective Choice which are convertible into 32,000,000 Conversion Shares upon conversion in full at the initial conversion price of HK\$2.20 per Conversion Share.
- Dr. Chan Kwok Keung, Charles is the controlling shareholder of ITC. Ms. Chau has accepted the Repurchase Offer in respect of her holding of the Notes in the outstanding principal amount of HK\$10,000,000. Accordingly, New Notes with principal amount of HK\$11,000,000 will be issued to Ms. Chau which are convertible into 5,000,000 Conversion Shares upon conversion in full at the initial conversion price of HK\$2.20 per Conversion Share.
- Mr. Cheung Hon Kit is the Chairman of the Company and an executive Director, and an executive director of ITC.
- Loyal Concept tendered a conditional acceptance to the Repurchase Offer in respect of the Notes held by it in an outstanding principal amount of HK\$270,000,000. If the Hanny Conditions are fulfilled, New Notes with principal amount of HK\$297,000,000 will be issued to Loyal Concept which are convertible into 135,000,000 Shares upon conversion in full at the initial conversion price of HK\$2.20 per Conversion Share.

LETTER FROM THE BOARD

5. As at the Latest Practicable Date, based on the register maintained by the Company pursuant to Part XV of the SFO and so far as known to the Directors, none of the other Noteholders, excluding Selective Choice and its associates, was interested in 10% or more of the Shares. Other Noteholders which hold the Notes with an aggregate outstanding principal amount of HK\$191,500,000 have accepted the Repurchase Offer. Accordingly, New Notes with an aggregate principal amount of HK\$210,650,000 will be issued to them which are convertible into 95,750,000 Conversion Shares upon conversion in full at the initial conversion price of HK\$2.20 per Conversion Share. Any Noteholder who holds 10% or more of the issued share capital of the Company upon conversion of its New Notes shall not be counted as public Shareholder.
6. Any Placee who holds 10% or more of the issued share capital of the Company upon conversion of its Placing New Notes shall not be counted as public Shareholder.

REASONS FOR THE REPURCHASE OFFER AND THE PLACING

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

The Notes are approaching their maturity on 15th June, 2011 and are subject to redemption at maturity in cash. The Redemption Amount is HK\$996,600,000. The Notes are convertible into new Shares at the prevailing conversion price of HK\$8.904 per Share (subject to adjustments), which is substantially higher than the prevailing market prices of the Shares of less than HK\$2.00 per Share, and the Notes are significantly out of the money. The Repurchase Offer offers the Noteholders the opportunity to replace the Notes with the New Notes which bear more attractive terms, including a lower conversion price which is closer to the current market price of the Shares and a higher coupon rate. In determining the coupon rate of the New Notes, the Company has taken into account the average interest rate of the Group's secured borrowings of approximately 2.5% per annum as at 31st January, 2011 and the prevailing interest rate of similar instruments in the market. Having considered that the New Notes are unsecured, the Directors consider that the coupon rate of the New Notes, which is slightly higher than the interest rate of the Group's secured borrowings, is justifiable.

Despite the New Notes, upon conversion, will dilute the shareholding interests of the existing Shareholders and the repayment of the Notes by cash will avoid the aforesaid dilution effects on the existing Shareholders, the Repurchase Offer, if accepted by the Noteholders, will exonerate the requirement for the Group to repay the Notes at maturity on 15th June, 2011 and allow the Group to retain funds as its general working capital. If the New Notes are converted into Conversion Shares in future, the share capital base of the Company would also be broadened.

The Notes for which the Repurchase Offer has not been accepted or extended will be redeemed by the Company on 15th June, 2011 by using its internal resources. The Placing is intended to raise additional capital to replenish the internal resources of the Group that will be utilised for the redemption of the Notes for which the Repurchase Offer has not been extended or accepted. Based on the result of the Repurchase Offer and the terms of the Placing Agreement, the aggregate of the maximum principal amount of the New Notes and the Placing New Notes to be issued will amount to HK\$996.6 million, which is equivalent to the Redemption Amount, regardless of whether the Hanny Conditions are fulfilled. If the Placing is successfully completed, the working capital position of the Group would be preserved and more financial resources of the Group could be made available for use in the development of other existing projects of the Group. The Shareholders' base will further be broadened if the Placing New Notes are converted.

LETTER FROM THE BOARD

Taking into account the above, the Directors consider that the respective terms of the Repurchase Offer, the New Notes (including the initial conversion price thereof), the Placing Agreement and the Placing New Notes (including the initial conversion price of thereof) are fair and reasonable and the Repurchase Offer (including the issue of the New Notes and the Conversion Shares) and the Placing (including the issue of the Placing New Notes and the Placing Conversion Shares) are in the interests of the Company and the Shareholders as a whole.

POSSIBLE ADJUSTMENTS TO THE OPTIONS

As at the Latest Practicable Date, there were outstanding Options granted under the Share Option Scheme entitling the holders thereof to subscribe for a total of 21,340,000 new Shares at the exercise price of HK\$2.22 per Share. As a result of the Repurchase Offer and depending on the results of the Placing and the principal amount of the New Notes and the Placing New Notes to be issued, the exercise price and the number of Shares to be issued pursuant to the Options may be adjusted in accordance with the Share Option Scheme. Further announcement (if required) will be made by the Company in respect of such adjustments as and when appropriate.

REGULATORY REQUIREMENTS

Repurchase Code

The Repurchase Offer constitutes an exempt share repurchase by the Company under the Repurchase Code.

Listing Rules

As at the Latest Practicable Date, Selective Choice was the holder of the ITC Notes in an aggregate outstanding principal amount of HK\$64,000,000. By virtue of the fact that Selective Choice is an indirect wholly-owned subsidiary of ITC, which is in turn a substantial Shareholder indirectly holding 139,583,474 Shares, representing approximately 24.71% of the total issued Shares as at the Latest Practicable Date, and therefore a connected person of the Company, the Repurchase Offer made, and the possible issue of the New Notes and the Conversion Shares, to Selective Choice constitute connected transactions for the Company under Chapter 14A of the Listing Rules. The Repurchase Offer and the transactions contemplated thereunder including the issue of the New Notes and the Conversion Shares will be subject to the approval of the Independent Shareholders by way of poll at the SGM. As at the Latest Practicable Date, Ms. Chau, was the Noteholder of the Notes in an outstanding principal amount of HK\$10,000,000 and held 3,200,000 Shares, representing approximately 0.57% of the total issued share capital of the Company. ITC, Selective Choice, Ms. Chau and their respective associates will abstain from voting on the ordinary resolution to be proposed at the SGM to approve the Repurchase Offer and the transactions contemplated thereunder including the issue of the New Notes and the Conversion Shares.

LETTER FROM THE BOARD

Any Noteholder who also holds Shares is considered to have a material interest in the Repurchase Offer and, in accordance with the Listing Rules, is required to abstain from voting on the resolution to be proposed at the SGM to approve the Repurchase Offer and the transactions contemplated thereunder including the issue of the New Notes and the Conversion Shares.

No Director has a material interest in the Repurchase Offer including the issue of the New Notes and the Conversion Shares. Therefore, no Director has abstained from voting on the board resolution approving the Repurchase Offer and the transactions contemplated thereunder.

The Placing Conversion Shares will be issued under a specific mandate to be sought from the Shareholders at the SGM. The Placing Agreement and the transactions contemplated thereunder including the issue of the Placing New Notes and the Placing Conversion Shares will be subject to the approval of the Shareholders by way of poll at the SGM. Selective Choice and Ms. Chau are Noteholders who have accepted the Repurchase Offer. Selective Choice and its holding company, ITC, and Ms. Chau are not required to abstain from voting on the ordinary resolution to be proposed at the SGM to approve the Placing Agreement and the transactions contemplated thereunder including the issue of the Placing New Notes and the Placing Conversion Shares by reason that (i) the Placing New Notes are issued to raise fund solely for repayment to the Noteholders holding the Notes who have not accepted or been extended the Repurchase Offer; (ii) the Company will utilise its internal resources but not the proceeds from the Placing to repay the Noteholders holding the Notes who have accepted the Repurchase Offer in the event that the Repurchase Offer is not approved by the Independent Shareholders; (iii) none of the Placees shall be a subscriber of the New Notes pursuant to the terms of the Placing Agreement; and (iv) the Placing is not conditional on completion of the Repurchase Offer. Any Noteholder who has not accepted the Repurchase Offer and holds Shares is considered to have a material interest in the Placing and, in accordance with the Listing Rules, is required to abstain from voting on the resolution to be proposed at the SGM to approve the Placing Agreement and the transactions contemplated thereunder.

SGM

The SGM, the notice of which is set out on pages SGM-1 to SGM-4 of this circular, will be held at Shop B27, Basement, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong, on Friday, 13th May, 2011 at 11:00 a.m., to consider and, if thought fit, approve the Repurchase Offer, the Placing Agreement and the transactions contemplated thereunder respectively. The voting on the ordinary resolutions to be proposed at the SGM will be taken by way of poll.

Whether or not you are able to attend the SGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to Tricor Secretaries Limited as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof.

Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

LETTER FROM THE BOARD

RECOMMENDATION

The Directors consider that the respective terms of the Repurchase Offer, the New Notes (including the initial conversion price thereof), the Placing Agreement and the Placing New Notes (including the initial conversion price thereof) are fair and reasonable and the Repurchase Offer (including the issue of the New Notes and the Conversion Shares) and the Placing (including the issue of the Placing New Notes and the Placing Conversion Shares) are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend (i) the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Repurchase Offer and the transactions contemplated thereunder including the issue of the New Notes and the Conversion Shares; and (ii) the Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Placing Agreement and the transactions contemplated thereunder including the issue of the Placing New Notes and the Placing Conversion Shares.

Your attention is drawn to the recommendation of the Independent Board Committee (as set out on pages 25 to 26 of this circular) and the letter of advice of First Shanghai (as set out on pages 27 to 44 of this circular) regarding the terms of the Repurchase Offer including the issue of the New Notes and the Conversion Shares.

The Independent Board Committee, having taken into account the advice of First Shanghai, considers that the terms of the Repurchase Offer including the issue of the New Notes and the Conversion Shares thereunder to Selective Choice are fair and reasonable so far as the Independent Shareholders are concerned, and the Repurchase Offer including the issue of the New Notes and the Conversion Shares thereunder to Selective Choice pursuant to the terms thereof are in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Repurchase Offer and the transactions contemplated thereunder including the issue of the New Notes and the Conversion Shares.

GENERAL INFORMATION

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

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



德祥地產集團有限公司*

ITC PROPERTIES GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code : 199)

21st April, 2011

To the Independent Shareholders

Dear Sir or Madam,

**(i) PROPOSED REPURCHASE OF NOTES
DUE ON 15TH JUNE, 2011;
(ii) ISSUE OF NEW NOTES DUE 2013;
AND
(iii) CONNECTED TRANSACTIONS**

We refer to the circular of the Company dated 21st April, 2011 (the "Circular"), of which this letter forms part. Capitalised terms used herein have the same meanings as those defined in the Circular unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to consider the Repurchase Offer and the transactions contemplated thereunder (including the issue of the New Notes and the Conversion Shares thereunder to Selective Choice) and to advise you as to whether, in our opinion, such terms are fair and reasonable so far as the Company and the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

First Shanghai has been appointed as the independent financial adviser to advise us and you in this regard. Details of its advice, together with the principal factors and reasons it has taken into consideration in giving its advice, are contained in its letter set out on pages 27 to 44 of the Circular. Your attention is also drawn to the letter from the Board and the additional information set out in the appendix to the Circular.

* For identification purpose only

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the terms of the Repurchase Offer and the advice of First Shanghai, we consider that the terms of the Repurchase Offer and the transactions contemplated thereunder (including the issue of the New Notes and the Conversion Shares thereunder to Selective Choice) are fair and reasonable in so far as the Company, the Shareholders and the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Repurchase Offer and the transactions contemplated thereunder including the issue of the New Notes and the Conversion Shares.

Yours faithfully,

For and on behalf of the
Independent Board Committee of
ITC Properties Group Limited

Hon. Shek Lai Him,
Abraham, SBS, JP
*Vice Chairman and
Independent
non-executive Director*

Wong Chi Keung, Alvin
*Independent
non-executive Director*

Kwok Ka Lap, Alva
*Independent
non-executive Director*

LETTER OF ADVICE FROM FIRST SHANGHAI

The following is the full text of the letter of advice to the Independent Board Committee and the Independent Shareholders from First Shanghai dated 21st April, 2011 setting out their opinion in respect of the Repurchase Offer including the issue of the New Notes and the Conversion Shares thereunder, to Selective Choice for the purpose of inclusion in this circular.



FIRST SHANGHAI CAPITAL LIMITED
19th Floor, Wing On House
71 Des Voeux Road Central
Hong Kong

21st April, 2011

*To the Independent Board Committee and
the Independent Shareholders*

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

Dear Sirs,

**(i) PROPOSED REPURCHASE OF NOTES
DUE ON 15TH JUNE, 2011;
(ii) ISSUE OF NEW NOTES DUE 2013;
AND
(iii) CONNECTED TRANSACTIONS**

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Repurchase Offer including the issue of the New Notes and the Conversion Shares thereunder, to Selective Choice, details of which are set out in the circular of the Company dated 21st April, 2011 (the “**Circular**”) to the Shareholders, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

The Board resolved on 21st February, 2011 to make an offer to the Noteholders to repurchase (subject to the fulfillment of certain conditions precedent) the Notes due on 15th June, 2011 in the aggregate outstanding principal amount of HK\$906,000,000 at the Redemption Amount from the Noteholders. The purchase price of the Notes for which the Repurchase Offer is accepted is proposed to be satisfied by the issue of the New Notes and

LETTER OF ADVICE FROM FIRST SHANGHAI

the Conversion Shares at the Redemption Amount. Partial acceptance of the Repurchase Offer (in HK\$500,000 or integral multiples thereof) by a Noteholder will be permitted. The Repurchase Offer constitutes an exempt share repurchase by the Company under the Repurchase Code.

At 4:00 p.m. on 31st March, 2011, being the latest time for acceptance of the Repurchase Offer, Noteholders of the Notes with an aggregate outstanding principal amount of HK\$265,500,000 have tendered acceptances to the Repurchase Offer, while Noteholders of the Notes with an aggregate outstanding principal amount of HK\$370,500,000 have not accepted or been extended the Repurchase Offer. Loyal Concept, a holder of the Notes with an outstanding principal amount of HK\$270,000,000, has conditionally accepted the Repurchase Offer subject to the fulfillment of the Hanny Conditions.

The Notes for which the Repurchase Offer has not been accepted or extended will be redeemed by the Company in cash using its internal resources. For the purpose of replenishing the internal resources that will be utilised for the redemption of the Notes for which the Repurchase Offer has not been extended or accepted, the Company announced that, on 15th April, 2011, it had entered into the Placing Agreement with the Placing Agent, pursuant to which the Placing Agent agreed, on a best effort basis, to procure not less than six (6) Places for the Placing New Notes with an aggregate principal amount of up to HK\$407,550,000 (if the Hanny Conditions are fulfilled) or HK\$704,550,000 (if the Hanny Conditions are not fulfilled) upon the terms and subject to the conditions of the Placing Agreement. The Placing New Notes are to be issued on substantially the same terms as the New Notes.

Selective Choice is the holder of the ITC Notes in an aggregate outstanding principal amount of HK\$64,000,000 and has accepted the Repurchase Offer. By virtue of the fact that Selective Choice is an indirect wholly-owned subsidiary of ITC, which is in turn a substantial Shareholder indirectly holding 139,583,474 Shares, representing approximately 24.71% of the total issued Shares as at the Latest Practicable Date, and therefore a connected person of the Company, the Repurchase Offer including the issue of the New Notes and the Conversion Shares, to Selective Choice constitute connected transactions for the Company under Chapter 14A of the Listing Rules. The Repurchase Offer and the transactions contemplated thereunder including the issue of the New Notes and the Conversion Shares will be subject to the approval of the Independent Shareholders by way of poll at the SGM.

The Independent Board Committee, comprising all the three independent non-executive Directors, namely Hon. Shek Lai Him, Abraham, *SBS, JP*, Mr. Wong Chi Keung, Alvin and Mr. Kwok Ka Lap, Alva, has been established to consider the transactions contemplated under the Repurchase Offer including the issue of the New Notes and the Conversion Shares thereunder, to Selective Choice and to advise the Independent Shareholders on the fairness and reasonableness of these transactions. As the independent financial adviser to the Independent Board Committee and the Independent Shareholders, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders as to (i) whether the transactions are conducted in the ordinary and usual course of business of the Group and on normal

LETTER OF ADVICE FROM FIRST SHANGHAI

commercial terms; (ii) whether the Repurchase Offer including the issue of the New Notes and the Conversion Shares thereunder, to Selective Choice are in the interests of the Company and the Shareholders as a whole; (iii) whether the terms of the Repurchase Offer including the issue of the New Notes and the Conversion Shares thereunder, to Selective Choice are fair and reasonable; and (iv) how the Independent Shareholders should vote in relation to the ordinary resolution to be proposed for approving the Repurchase Offer including the issue of the New Notes and the Conversion Shares thereunder, to Selective Choice, and the transactions contemplated thereunder at the SGM.

BASIS OF OUR OPINION

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

We consider that we have (i) obtained all information and documents of the Group relevant to an assessment of the fairness and reasonableness of the terms of the Repurchase Offer including the issue of the New Notes and the Conversion Shares thereunder, to Selective Choice; (ii) researched the relevant market and other conditions and trends relevant to the pricing of the Repurchase Offer including the issue of the New Notes and the Conversion Shares thereunder, to Selective Choice; and (iii) reviewed the fairness, reasonableness and completeness of any assumptions or projections relevant to the Repurchase Offer including the issue of the New Notes and the Conversion Shares thereunder, to Selective Choice. Based on the foregoing, we confirm that we have taken all reasonable steps, which are applicable to the Repurchase Offer including the issue of the New Notes and the Conversion Shares thereunder, to Selective Choice, as referred to in Rule 13.80 of the Listing Rules (including the notes thereto).

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

LETTER OF ADVICE FROM FIRST SHANGHAI

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation in relation to the terms of the Repurchase Offer including the issue of the New Notes and the Conversion Shares thereunder, to Selective Choice, we have considered the following principal factors and reasons:

1. Background of the Group

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

Based on the annual report of the Company for the year ended 31st March, 2010, the Group's profit attributable to owners of the Company amounted to approximately HK\$102.9 million, whereas the audited consolidated net assets (excluding non-controlling interests) and audited consolidated net current assets of the Group were approximately HK\$2,114.6 million and HK\$985.2 million respectively as at 31st March, 2010.

Based on the interim report of the Company for the six months ended 30th September, 2010 (the "**Interim Report**"), the Group's profit attributable to owners of the Company amounted to approximately HK\$115.1 million, whereas the unaudited consolidated net assets (excluding non-controlling interests) and the unaudited consolidated net current assets of the Group were approximately HK\$2,392.4 million and HK\$276.2 million respectively as at 30th September, 2010.

2. Background of the Notes

The Directors refer to the Company's announcement dated 28th April, 2006 and circular dated 22nd May, 2006 in relation to the placing of the Notes convertible into Shares at an initial conversion price of HK\$0.70 per Share (subject to adjustments) in an aggregate principal amount of up to HK\$1,000,000,000.

Notes with aggregate principal amount of HK\$1,000,000,000 were successfully placed and issued by the Company on 15th June, 2006. As at 25th February, 2011, the aggregate outstanding principal amount of the Notes was HK\$906,000,000 and the Notes were held by 15 Noteholders based on the register of Noteholders maintained by the Company. Based on the information on the aforesaid register and the register maintained by the Company pursuant to Part XV of the SFO and so far as was known to the Directors, as at the Latest Practicable Date, other than Selective Choice and its associates, none of the Noteholders was interested in 10% or more of the Shares. Ms. Chau, was the Noteholder of the Notes in an outstanding principal amount of HK\$10,000,000 and held 3,200,000 Shares, representing approximately 0.57% of the total issued share capital of the Company as at the Latest Practicable Date. As a result of intervening corporate exercises of the Company, the prevailing conversion price of the Notes is HK\$8.904 per Share (subject to adjustments). Pursuant to the terms of the Notes, 101,751,994 new Shares will fall to be issued upon full conversion of the Notes at the prevailing conversion price of HK\$8.904 per Share (subject to adjustments).

LETTER OF ADVICE FROM FIRST SHANGHAI

The ITC Notes in the aggregate outstanding principal amount of HK\$64,000,000 is held by Selective Choice, an indirect wholly-owned subsidiary of ITC. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, except for ITC and Selective Choice, which are connected persons of the Company by virtue of the fact that ITC indirectly held 139,583,474 Shares, representing approximately 24.71% of the total issued Shares as at the Latest Practicable Date, the other Noteholders and their ultimate beneficial owners are third parties independent of the Company and the connected persons of the Company. Selective Choice is an investment holding company and the other Noteholders are independent individual, corporate and/or institutional investors.

The Notes will mature on 15th June, 2011. In accordance with the terms of the Notes, the Company shall redeem the Notes in full on the maturity date in cash at the Redemption Amount which amounts to HK\$996,600,000, representing the sum of the aggregate outstanding principal amount of HK\$906,000,000 and the 10% redemption premium of HK\$90,600,000. In addition, on the same day, the Company shall also pay the 1% interest per annum accrued on the Notes to the Noteholders in cash, which amounts to HK\$9,060,000 in total.

3. Reasons for the Repurchase Offer

The Notes are approaching their maturity on 15th June, 2011 and are subject to redemption at maturity in cash. The Redemption Amount is HK\$996,600,000. The Notes are convertible into new Shares at the prevailing conversion price of HK\$8.904 per Share (subject to adjustments), which is substantially higher than the prevailing market prices of the Shares of less than HK\$2.00 per Share, and the Notes are significantly out of the money. The Repurchase Offer offers the Noteholders the opportunity to replace the Notes with the New Notes which bear more attractive terms, including a lower conversion price which is closer to the current market price of the Shares and a higher coupon rate. In determining the coupon rate of the New Notes, the Company has taken into account the average interest rate of the Group's secured borrowings of approximately 2.5% per annum as at 31st January, 2011 and the prevailing interest rate of similar instruments in the market. Having considered that the New Notes are unsecured, the Directors consider that the coupon rate of the New Notes, which is slightly higher than the interest rate of the Group's secured borrowings, is justifiable.

Despite the New Notes, upon conversion, will dilute the shareholding interests of the existing Shareholders and the repayment of the Notes by cash will avoid the aforesaid dilution effects on the existing Shareholders, the Repurchase Offer, having partially (or conditionally) accepted by the Noteholders, will exonerate the requirement for the Group to repay the Notes at maturity on 15th June, 2011 and allow the Group to retain funds as its general working capital. If the New Notes are converted into Conversion Shares in the future, the share capital base of the Company would also be broadened.

LETTER OF ADVICE FROM FIRST SHANGHAI

The Notes for which the Repurchase Offer is not accepted will be redeemed by the Company on 15th June, 2011 using its internal resources. The Placing is intended to raise additional capital to replenish the internal resources of the Group that will be utilised for the redemption of the Notes for which the Repurchase Offer has not been extended or accepted. If the Placing is successfully completed, the working capital position of the Group would be preserved and more financial resources of the Group could be made available for use in the development of other existing projects of the Group. The Shareholders' base will further be broadened if the Placing New Notes are converted.

Taking into account the above, the Directors consider that the respective terms of the Repurchase Offer, the New Notes (including the initial conversion price thereof, the Placing Agreement and the Placing New Notes (including the initial conversion price thereof) are fair and reasonable and the Repurchase Offer (including the issue of the New Notes and the Conversion Shares) and the Placing (including the issue of the Placing New Notes and the Placing Conversion Shares) are in the interests of the Company and the Shareholders as a whole.

By offering the New Notes with more attractive terms to the Noteholders, the Company is seeking to alleviate its funding pressure for the original redemption obligation for the Notes. As mentioned above, since the Repurchase Offer was merely partially (or conditionally) accepted by some of the Noteholders (including Selective Choice), the Company has to arrange additional funding of up to HK\$704.6 million under the Placing for redemption of some of the outstanding Notes not been accepted or extended thereunder. Besides, HK\$70.4 million may be required for redemption of the ITC Notes on 15th June, 2011, if acceptance for the Repurchase Offer by Selective Choice is not approved by the Independent Shareholders at the SGM. Given the fact that (i) the Repurchase Offer would, to certain extent, alleviate the funding pressure on the Company; (ii) all Noteholders will be treated on a fair and equitable basis irrespective of whether they are connected persons of or independent third parties from the Company; and (iii) the New Notes are to be issued on substantially the same terms as the Placing New Notes, we consider that the Repurchase Offer is not conducted in the ordinary and usual course of business of the Group, but the terms thereof are normal commercial terms, fair and reasonable in so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole.

4. Principal terms of the Repurchase Offer

The Company proposed to make the Repurchase Offer to repurchase (subject to the fulfillment of certain conditions precedent described below) the Notes at the Redemption Amount. The purchase price of the Notes for which the Repurchase Offer is accepted is proposed to be satisfied by the issue of the New Notes at the Redemption Amount. Partial acceptance of the Repurchase Offer (in HK\$500,000 or integral multiples thereof) by a Noteholder will be permitted.

The Company sent the offer letters in relation to the Repurchase Offer to the Noteholders (other than the US Noteholders) on 25th February, 2011. The Company expects to issue the New Notes within seven (7) Business Days after the fulfillment of the conditions precedent as referred to below, which is anticipated to be in or around May 2011.

LETTER OF ADVICE FROM FIRST SHANGHAI

The Notes tendered for acceptance under the Repurchase Offer will be cancelled.

For the Noteholders not accepting the Repurchase Offer, the relevant Redemption Amount and the 1% interest per annum accrued on the relevant Notes will be paid to them in cash on 15th June, 2011, which is the maturity date of the Notes. For any Notes which are repurchased under the Repurchase Offer, the 1% interest per annum accrued on the Notes from the last payment date on 15th June, 2010 up to and excluding the date of issue of the New Notes will be paid to the Noteholders accepting the Repurchase Offer on the 5th Business Day after the date of issue of the New Notes.

The other terms of the Repurchase Offer have been set out in the “Letter from the Board” of the Circular.

Based on the above, we note that all principal terms and conditions under the Repurchase Offer (including the issue of the New Notes pursuant to the acceptance of the Repurchase Offer and the issue of the Conversion Shares) are exactly the same among all the Noteholders under the Notes as well as the New Notes, notwithstanding whether they are connected persons of or independent third parties from the Company.

5. Principal terms and conditions of the New Notes

(a) *Initial conversion price*

The initial conversion price of the New Notes of HK\$2.20 per Conversion Share (the “**Initial Conversion Price**”) was determined by the Company with reference to the prevailing market price of the Shares.

The Initial Conversion Price is subject to the usual anti-dilution adjustments in certain events including, among other things, share consolidation, share subdivision, capitalisation issue, capital distribution and rights issue. The Initial Conversion Price of HK\$2.20 per Conversion Share represents:

	Price/value per Share <i>approximately</i> HK\$	Premium/ (discount) <i>approximately</i> %
(i) Closing price as quoted on the Stock Exchange on the Last Trading Day	1.84	19.57
(ii) Average closing price per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day	1.82	20.88
(iii) Closing price quoted on the Stock Exchange as at the Latest Practicable Date	2.04	7.84

LETTER OF ADVICE FROM FIRST SHANGHAI

	Price/value per Share <i>approximately</i> HK\$	Premium/ (discount) <i>approximately</i> %
(iv) The unaudited consolidated net asset value (excluding non-controlling interests) of the Group per Share as at 30th September, 2010	4.24	(48.11)

All the New Notes to be issued are for the purpose of satisfying the purchase price payable to the Noteholders to repurchase the Notes accepted under the Repurchase Offer. Assuming full acceptance of the Repurchase Offer, the aggregate principal value of the New Notes to be issued less estimated expenses attributable to the Repurchase Offer is estimated to be approximately HK\$994.6 million and the net price of each Conversion Share is approximately HK\$2.19.

Based on the understanding from the Interim Report and further discussion with the Management, the Group is an asset-based company, so its net asset value is a meaningful parameter for evaluating its actual value from an investor and/or shareholder's point of view. During the course of negotiation with the Noteholders and determination of the Initial Conversion Price, the Directors noted the considerable discount of approximately 48.11% to the net asset value of the Group per Share as at 30th September, 2010. However, having considered (i) the prevailing market sentiment and volatility in the global financial market; (ii) the huge principal amount of the Notes and/or the New Notes; (iii) the Group's current financial position and funding capability; and (iv) the Noteholders' acceptability for the Repurchase Offer on the basis that they would never accept the Repurchase Offer if the Initial Conversion Price were set at a price equivalent to or even higher than the net asset value per Share of HK\$4.24 given that the prevailing market price per Share was always below HK\$2.00 prior to the Last Trading Day, we consider that setting the Initial Conversion Price of HK\$2.20 standing between premium of around 20.0% over the closing price on the Last Trading Day, or the average closing price for the five consecutive trading days up to and including the Last Trading Day, and a discount of approximately 48.11% to the net asset value of the Group as at 30th September, 2010 is acceptable for the Company and the Shareholders as a whole, and is fair and reasonable in so far as the Independent Shareholders are concerned.

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(1) *Share price performance*

Set out below is the average monthly closing prices of the Shares for the period from 1st March, 2010 to the Latest Practicable Date (the “**Review Period**”):

	Month/period end closing price	Average daily closing price
	<i>HK\$</i>	<i>HK\$</i>
2010		
March	1.94	1.51
April	1.83	1.83
May	1.75	1.74
June	1.90	1.80
July	1.85	1.88
August	1.82	1.89
September	2.13	1.90
October	2.14	2.20
November	1.95	2.04
December	1.94	1.89
2011		
January	1.86	1.87
February	1.66	1.80
March	2.14	1.95
April (up to the Latest Practicable Date)	2.04	2.06

Source: The website of the Stock Exchange at www.hkex.com.hk.

As indicated in the above table, the closing price per Share had generally been fluctuating within a range from HK\$1.66 in February 2011 to HK\$2.22 in March 2011 during the Review Period. The closing price per Share hit a high of HK\$2.28 on the three trading days from 13th to 15th October, 2010 and a low of HK\$1.15 on 1st and 2nd March, 2010. We further noted that the daily closing price per Share were at most of the material times traded below the Initial Conversion Price of HK\$2.20 during the period after the date of the Announcement and up to the Latest Practicable Date. As at the Latest Practicable Date, the Shares closed at a price of HK\$2.04 per Share, which is approximately 10.87% premium over that on the Last Trading Day.

Based on the above analysis, we note that the Initial Conversion Price represents (i) a premium of approximately 20.88% over the average closing price per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day; and (ii) generally represents premium over the Share prices under the other various comparison prior to the date of the Announcement, but a considerable discount to the

LETTER OF ADVICE FROM FIRST SHANGHAI

unaudited consolidated net asset value (excluding non-controlling interests) per Share of the Group as at 30th September, 2010.

(2) *Comparables*

In order to assess the fairness and reasonableness of the terms of the New Notes, we consider that it would be more appropriate to look into the issue of convertible notes by companies listed on the Main Board of the Stock Exchange which were announced during the period from 1st November, 2010 to the date of the Announcement (i.e. 21st February, 2011), which comprised three full calendar months immediately preceding the date of the Announcement. Therefore, we, on a best effort basis, have compared the terms of the New Notes with the last 25 issues of similar instruments by those companies listed on the Main Board of the Stock Exchange prior to 21st February, 2011 (the “CN Comparables”) as follows:

Date of announcement	Company (Stock code)	Principal <i>HK\$ million</i>	Interest (per annum) %	Maturity <i>Years</i>	Redemption price at maturity %	Premium/(discount) of offer price over/(to) closing price or average closing price prior to the relevant announcements	5-day average %
						Closing price at the Last Trading Day %	
11/2/2011	eForce Holdings	200.0	5.0	3.0	100.0	(36.21)	(22.92)
	Limited (943)	300.0	2.0	4.0	100.0	(56.90)	(47.92)
9/2/2011	China Star Entertainment Limited (326)	650.0	8.0	5.0	100.0	9.59	11.11
8/2/2011	China Solar Energy Holdings Limited (155)	40.7	Nil	5.0	<i>Note 1</i>	(5.91)	0.00
2/2/2011	Fulbond Holdings Limited (1041)	500.0	Nil	5.0	100.0	(19.05)	(14.14)
31/1/2011	Hanny Holdings Limited (275) (before adjustment for a rights issue)	300.0	2.0	2.0	100.0	14.75	15.13
31/1/2011	China Golden Development Holdings Limited (162)	94.5	1.5	3.0	100.0	(42.03)	(41.00)
30/1/2011	Hao Tian Resources Group Limited (474)	575.0	2.0	5.0	100.0	0.00	2.94

LETTER OF ADVICE FROM FIRST SHANGHAI

Date of announcement	Company (Stock code)	Principal <i>HK\$ million</i>	Interest (per annum) %	Maturity <i>Years</i>	Redemption price at maturity %	Premium/(discount) of offer price over/(to) closing price or average closing price prior to the relevant announcements	5-day average %
						Closing price at the Last Trading Day %	
25/1/2011	New Times Energy Corporation Limited (166)	160.0	9.0	2.0	<i>Note 1</i>	(3.74) (1st conversion price)	(4.96)
					<i>Note 1</i>	(6.95) (2nd conversion price)	5.60
25/1/2011	Guojin Resources Holdings Limited (630)	105.0	<i>Note 2</i>	5.0	100.0	(24.53)	(23.08)
19/1/2011	Mascotte Holdings Limited (136)	1,600.0	5.0	3.0	<i>Note 1</i>	6.38	10.62
20/12/2010	Co-Prosperty Holdings Limited (707)	50.0	1.0	2.0	100.0	(15.63)	(15.09)
19/12/2010	China Ruifeng Galaxy Renewable Energy Holdings Limited (527)	144.9	8.0	2.5	118.0	(16.67)	(11.14)
14/12/2010	Golden Resorts Group Limited (1031)	4,200.0	2.0	5.0	100.0	(3.61)	14.61
3/12/2010	China Uptown Group Company Limited (2330)	230.0	Nil	3.0	110.0	2.72	4.04
26/11/2010	China Agrotech Holdings Limited (1073)	81.7	Nil	5.0	106.00 (on a compound basis)	28.21	27.23
25/11/2010	Mingfa Group (International) Company Limited (846)	1,551.6	5.0	5.0	129.82	16.94	17.31
23/11/2010	China Mandarin Holdings Limited (9)	515.1	0.5	5.0	100.0	(19.77)	(13.32)

LETTER OF ADVICE FROM FIRST SHANGHAI

Date of announcement	Company (Stock code)	Principal <i>HK\$ million</i>	Interest (per annum) %	Maturity <i>Years</i>	Redemption price at maturity %	Premium/(discount) of offer price over/(to) closing price or average closing price prior to the relevant announcements	5-day average %
						Closing price at the Last Trading Day %	
12/11/2010	Mayer Holdings Limited (1116)	90.0	5.0	3.0	<i>Note 1</i>	3.77	(0.36)
9/11/2010	Solargiga Energy Holdings Limited (757)	835.2	Nil	2.0	100.0	6.08	6.19
4/11/2010	Zhongda International Holdings Limited (909)	174.0	Nil	1.5	100.0	28.21	29.53
4/11/2010	King Stone Energy Group Limited (663)	1,390.5	Nil	5.0	100.0	(10.26)	(5.83)
3/11/2010	Mongolia Energy Corporation Limited (276)	466.8	3.5	3.0	<i>Note 1</i>	11.48	11.48
		311.2	3.5	3.0	<i>Note 1</i>	44.26	44.26
2/11/2010	Asia Coal Limited (835)	110.0	Nil	5.0	<i>Note 1</i>	(24.53)	(4.81)
	Average		3.9	3.7	103.5	(4.36)	(0.17)
	Highest		9.0	5.0	129.8	44.26	44.26
	Median		3.5	3.0	100.0	(3.68)	1.47
	Lowest		0.5	1.5	100.0	(56.90)	(47.92)
21/2/2011	The Company	589.1	3.25	2.5	105.0	19.57	20.88

Notes:

1. There were no specific redemption arrangements described in the relevant announcements.
2. The convertible notes will be entitled to a payment equivalent to the amount of any cash dividends declared by that company as if they were fully converted into ordinary shares payable at the same time as any such dividend payment.

Source: The website of the Stock Exchange at www.hkex.com.hk.

(b) Interest rate

The New Notes carry an interest rate of 3.25% per annum payable annually in arrear for the first 24 months and on the Maturity Date for the last six (6) months.

Based on the unaudited management accounts of the Group for the period up to 31st January, 2011, the Group had interest-bearing bank borrowings of approximately HK\$412.1 million as at 31st January, 2011, which were secured by

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certain properties of the Group and borne a weighted average cost of borrowings of approximately 2.5% per annum, and hence slightly lower than that of 3.25% attributable to the New Notes. Given the New Notes will be unsecured in contrast with the secured interest-bearing bank borrowings of the Group, we consider that the slightly higher interest rate of 3.25% per annum attributable to the unsecured New Notes is justifiable in the normal financing environment. In evidence, the interest rate under the New Notes is within the range of the interest rate of the CN Comparables from 0.5% to 9.0% as shown above.

(c) Maturity date

The Maturity Date is the day falling 30 months after the date of issue of the New Notes.

We have noted that the Maturity Date of 30 months (i.e. 2.5 years) from the date of issue of the New Notes under the Repurchase Offer is within the range of 1.5 years to 5.0 years but is shorter than the average of approximately 3.7 years of the CN Comparables; and therefore we consider that such maturity period is not unusual for debt securities of similar kind in the market, and therefore is comparable with that of the CN Comparables.

(d) Redemption

Unless previously converted or purchased and cancelled, the Company shall redeem each New Note on the Maturity Date at the redemption amount which is 105.0% of the outstanding principal amount of such New Note. Before the Maturity Date, the Company or any of its subsidiaries may purchase the New Notes at any price as agreed between the Company or such subsidiary and the holders of the New Notes.

The redemption premium at maturity of the Notes of 105.0% is basically comparable to the average of the CN Comparables of approximately 103.5%, and falls within that of the CN Comparables which ranges between approximately 100.0% and 129.8%. We also have noted that the CN Comparables with lower or no redemption premium, in general, have higher interest rates and/or have conversion price with lower premium or even discount to the then prevailing market price.

(e) Conversion period

The holders of the New Notes shall have the right to convert, on any Business Day commencing from the 15th day after the date of issue of the New Notes up to and including the date which is 15 days prior to the Maturity Date, the whole or any part (in an amount or integral multiple of HK\$500,000) of the principal amount of the New Notes into Shares at the then prevailing conversion price.

We consider that the conversion period is normal for debt securities of similar kind in the market and therefore comparable with that of the CN Comparables.

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(f) Transferability, voting rights and ranking

The New Notes are freely transferable but may not be transferred to a connected person of the Company without the prior written consent of the Company and the compliance with all regulatory approvals or requirements.

The holders of the New Notes will not be entitled to receive notice of, attend or vote at any general meeting of the Company by reason only of it being the holders of the New Notes.

The Conversion Shares will rank *pari passu* in all respects with all other existing Shares outstanding at the date of conversion notice of the New Notes served by the Noteholders.

We consider that the terms of the New Notes under the Repurchase Offer in relation to transferability, voting and ranking are normal for debt securities of similar kind in the market and therefore comparable with that of the CN Comparables.

As indicated above, (i) the interest rate of 3.25% per annum payable under the New Notes falls into that of the CN Comparables which ranges between 0.5% and 9.0%, and is slightly below the average and median of approximately 3.9% and 3.5% respectively thereof; (ii) the premium of approximately 19.57% represented by the Initial Conversion Price of HK\$2.20 per Share over the closing price of HK\$1.84 per Share as quoted on the Stock Exchange on the Last Trading Day falls into that of the CN Comparables which ranges between a discount of approximately 56.90% and a premium of approximately 44.26% of the respective shares; and (iii) the redemption premium at maturity of the New Notes of 105.0% falls into that of the CN Comparables which ranges between approximately 100.0% and 129.8%.

6. Conversion Shares falling to be issued upon exercise in full of the conversion rights attaching to the New Notes

Based on the result of acceptance for the Repurchase Offer up to 4:00 p.m. on the Acceptance Date, the New Notes in the aggregate principal amount up to HK\$589,050,000 will be issued (assuming the Hanny Conditions are fulfilled). Upon full conversion of the New Notes at the Initial Conversion Price, a total of 267,750,000 Conversion Shares with an aggregate nominal value of HK\$2,677,500 will be issued, representing:

- (i) approximately 47.40% of the existing issued share capital of the Company; and
- (ii) approximately 32.16% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares at the Initial Conversion Price.

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The Conversion Shares, when issued, will rank pari passu in all respects with the Shares in issue as at the date of conversion notice of the New Notes served by the Noteholders.

7. Conditions precedent to the Repurchase Offer

The Repurchase Offer (including the issue of the New Notes pursuant to the acceptance of the Repurchase Offer and the issue of the Conversion Shares) will be conditional upon fulfillment of certain conditions set out in the "Letter from the Board" of the Circular. If any of the said conditions has not been fulfilled by 4:00 p.m. on 31st May, 2011, the Repurchase Offer will not proceed.

Based on the above analysis and from the perspective of assessment of the Initial Conversion Price with respect to (i) the historical performance of the Shares during the Review Period; and (ii) the CN Comparables, we are of the view that the Repurchase Offer (including the issue of the New Notes pursuant to the acceptance of the Repurchase Offer and the issue of the Conversion Shares) is in the interests of the Company and the Shareholders as a whole, and the terms of the Repurchase Offer (including the issue of the New Notes pursuant to the acceptance of the Repurchase Offer and the issue of the Conversion Shares thereto, including Selective Choice) are fair and reasonable so far as the Company, the Shareholders and the Independent Shareholders are concerned.

8. Alternative financing methods

The Directors have not considered other means of fund raising activities other than the Repurchase Offer (including the issue of the New Notes pursuant to the acceptance of the Repurchase Offer and the issue of the Conversion Shares) and the Placing because they consider that, in addition to the above factors, the Repurchase Offer (including the issue of the New Notes in substitution for the Notes) is effective and efficient in terms of both cost and time-saving when compared to other kinds of fund-raising mechanism such as rights issue, bank borrowings and open offer.

The Directors consider that the Repurchase Offer offers the Noteholders the opportunity to replace the Notes with the New Notes which bear more attractive terms, including a lower conversion price which is closer to the current market price of the Shares and a higher coupon rate. The Repurchase Offer, having partially (or conditionally) accepted by the Noteholders, will exonerate the requirement for the Group to repay the Notes at maturity on 15th June, 2011 and allow the Group to retain funds as its general working capital. If the New Notes are converted into Conversion Shares in future, the share capital base of the Company would also be broadened.

The Notes for which the Repurchase Offer has not been accepted or extended will be redeemed by the Company in cash on 15th June, 2011 using its internal resources. The Placing is intended to raise additional capital to replenish the internal resources of the Group that will be utilised for the redemption of the Notes for which the Repurchase Offer has not been extended or accepted.

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In view of the current market sentiment, we consider that the Repurchase Offer, having partially (or conditionally) accepted by the Noteholders, will alleviate the Company's immediate financial burden under the current arrangement and is an efficient, effective and appropriate financing method under the current circumstances of the Company and the market in terms of time and cost saving effects though there would be a possible dilution impact arising therefrom on the shareholdings of the Shareholders in the long term.

9. Possible financial effects to the Group

Working capital

As mentioned in the above, the Repurchase Offer, having partially (or conditionally) accepted by the Noteholders, will exonerate the requirement for the Group to repay the Notes at maturity on 15th June, 2011 and allow the Group to retain funds as its general working capital. If the New Notes are converted into Conversion Shares in future, the share capital base of the Company would also be broadened.

Based on the Interim Report, the Group had working capital (i.e. net current assets) of approximately HK\$276.2 million, comprising current assets of approximately HK\$1,994.6 million, including cash and bank balances (comprising pledged bank deposits) of approximately HK\$185.1 million, and current liabilities of approximately HK\$1,718.4 million, including convertible note payables of approximately HK\$943.8 million. Considering the Repurchase Offer having partially (or conditionally) accepted by the Noteholders (including Selective Choice), and other factors which may affect working capital position remain unchanged, the Group's working capital will greatly improve on the grounds that the New Notes will be re-classified to non-current liabilities because of their longer period to maturity in contrast with the Notes currently grouped under current liabilities; while the Group's total liabilities will basically remain unchanged other than the cash payment of 1% interest per annum accrued on the Notes to the Noteholders amounting to approximately HK\$9.1 million in total. If acceptance by Selective Choice for the Repurchase Offer in respect of the ITC Notes are not approved by the Independent Shareholders, the Company has to arrange funding of HK\$70.4 million for redemption of the ITC Notes, on 15th June, 2011, thus the Group's working capital would be adversely affected.

Net asset value

Upon the issue of the New Notes in substitution for the Notes (including the ITC Notes) and before any conversion of the New Notes, the net asset value (excluding non-controlling interests) of the Group of approximately HK\$2,392.4 million will basically remain unchanged, so there will not be any material adverse effect on the net asset value of the Group if the Repurchase Offer is accepted by all the Noteholders, including Selective Choice.

Assuming the Hanny Conditions are fulfilled and the New Notes are converted in full at HK\$2.20 per Conversion Share, the consolidated net asset value (excluding non-controlling interests) of the Group will be increased by HK\$589.1 million, representing a considerable increase of approximately 24.6%.

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Gearing position

Based on the Interim Report, the Group had aggregate interest-bearing liabilities comprising the Notes, obligations under the finance leases and bank and other borrowings of approximately HK\$1,377.9 million, representing a gearing ratio of approximately 57.6% of its consolidated net asset value (excluding non-controlling interests) of approximately HK\$2,392.4 million as at 30th September, 2010. Upon the issue of the New Notes in substitution for the Notes and before any conversion of the New Notes, the net asset value (excluding non-controlling interests) of the Group of approximately HK\$2,392.4 million will basically remain unchanged, so there will not be any material adverse effect on the net asset value of the Group if the Repurchase Offer is accepted by the Noteholders, including Selective Choice. If the New Notes are subsequently converted into the Conversion Shares, it would represent a good opportunity to raise capital for the Company and broaden its shareholders' base, enhance the Shareholders' value and ultimately lower the Group's gearing ratio at that time. On such basis, the issue of the New Notes in substitution for the Notes (including the ITC Notes), which forms part of the Repurchase Offer, as aforesaid is fair and reasonable in so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole.

Dilution in shareholding

Based on the shareholding structure of the Company as set out in the "Letter from the Board" of the Circular, as at the Latest Practicable Date, 401,867,723 Shares were held by other public Shareholders, representing approximately 71.14% of the issued share capital of the Company. Based on the result of acceptance of the Repurchase Offer and assuming full conversion of the New Notes to be issued resulting from such acceptance into the Conversion Shares, such corresponding shareholding will be diluted to approximately (i) 48.26% assuming the Hanny Conditions are fulfilled; or (ii) 57.61% assuming the Hanny Conditions are not fulfilled. Accordingly, the shareholding dilution appears to be quite material. We have noted that the Initial Conversion Price of HK\$2.20 is much lower than the prevailing conversion price of HK\$8.904 per Share (subject to adjustments) under the Notes, which upon exercise of the conversion rights thereunder, would result in a much significant dilution effect than under the Notes. Since the prevailing market price per Share is currently traded at below HK\$2.10, such dilution effect is inevitable on the grounds that the Company has to replace the Notes with the New Notes which bear more attractive terms, including a lower conversion price which is closer to the current market price of the Shares. The Repurchase Offer, having partially (or conditionally) accepted by the Noteholders, will exonerate the requirement for the Group to repay the Notes at maturity on 15th June, 2011 and allow the Group to retain funds as its general working capital. However, the Shareholders should note that dilution effect on earnings per Share and shareholding is inevitable for the issue of convertible notes, they would face a similar level of dilution if a placing as well as a rights issue or an open offer of similar size to the issue of the New Notes is proceeded instead of the issue of the New Notes and their subsequent conversions and the Shareholders do not subscribe for the Shares in full (under the rights issue or the open offer). Having considered the possible enhancement and broadening of shareholders' and capital base of the

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Company upon conversion of the New Notes, we consider that the dilution effects on the shareholdings are inevitable for the issue of the New Notes and therefore acceptable, though on its own is not favourable, so far as the Independent Shareholders are concerned after taking into account of the increase in the consolidated net asset value per Share after completion of the issue of the New Notes and their subsequent full conversion into Conversion Shares.

RECOMMENDATION

Having considered the principal factors and reasons as discussed above, we consider that the Repurchase Offer (including the issue of the New Notes pursuant to the acceptance of the Repurchase Offer and the issue of the Conversion Shares), particularly for Selective Choice, is not conducted in the ordinary and usual course of business of the Group, but the terms thereof are normal commercial terms and fair and reasonable in so far as the Company, the Shareholders and the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Repurchase Offer including the issue of the New Notes and the Conversion Shares thereunder, to Selective Choice, and the transactions contemplated thereunder.

Yours faithfully,

For and on behalf of

First Shanghai Capital Limited

Helen Zee

Eric Lee

Managing Director

Deputy Managing Director

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

(a) Interests of the Directors or chief executive of the Company

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

(i) *Interests in the Shares*

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

(ii) *Interests in the Options*

Name of Director	Date of grant	Option period	Exercise price per Share HK\$	Number of Options	Approximate percentage of the issued share capital of the Company (%)
Mr. Cheung	29th March, 2010	29th March, 2010 – 28th March, 2014	2.22	3,900,000	0.69
Mr. Chan Fut Yan ("Mr. Chan")	29th March, 2010	29th March, 2010 – 28th March, 2014	2.22	2,900,000	0.51
Mr. Cheung Chi Kit	29th March, 2010	29th March, 2010 – 28th March, 2014	2.22	2,100,000	0.37
Mr. Lai Tsan Tung, David	29th March, 2010	29th March, 2010 – 28th March, 2014	2.22	1,500,000	0.27
Mr. Chan Yiu Lun, Alan	29th March, 2010	29th March, 2010 – 28th March, 2014	2.22	1,500,000	0.27
Mr. Ma Chi Kong, Karl	29th March, 2010	29th March, 2010 – 28th March, 2014	2.22	370,000	0.07
Mr. Wong Chi Keung, Alvin	29th March, 2010	29th March, 2010 – 28th March, 2014	2.22	370,000	0.07
Mr. Kwok Ka Lap, Alva	29th March, 2010	29th March, 2010 – 28th March, 2014	2.22	370,000	0.07
				13,010,000	

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

(b) Interests of Shareholders discloseable pursuant to the SFO

As at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company based on the register maintained by the Company pursuant to Part XV of the SFO, the following persons (other than a Director or chief executive of the Company) had, or were deemed or taken to have, interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group or had any option in respect of such capital:

(i) Interests in the Shares

Name of Shareholder	Long position/ Short position	Capacity	Number of issued Shares	Approximate percentage of the issued share capital of the Company (%)
Selective Choice (Note 3)	Long position	Beneficial owner	139,583,474 (Note 1)	24.71
ITC Investment Holdings Limited ("ITC Investment") (Note 3)	Long position	Interest of controlled corporation	139,583,474 (Note 1)	24.71
ITC (Note 4)	Long position	Interest of controlled corporation	139,583,474 (Note 1)	24.71
Dr. Chan Kwok Keung, Charles ("Dr. Chan")	Long position	Interest of controlled corporation	139,583,474 (Note 1)	24.71
	Long position	Beneficial owner	6,066,400 (Note 1)	1.07
			145,649,874	25.78
Ms. Ng Yuen Lan, Macy ("Ms. Ng")	Long position	Interest of spouse	145,649,874 (Note 1)	25.78

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

Name of Shareholder	Long position/ Short position	Capacity	Number of underlying Shares (under equity derivatives of the Company)	Approximate percentage of the issued share capital of the Company (%)
Loyal Concept	Long position	Beneficial owner	135,000,000 (Note 2)	23.90
Hanny Magnetics (B.V.I.) Limited ("Hanny Magnetics")	Long position	Interest of controlled corporation	135,000,000 (Note 2)	23.90
Hanny (Note 5)	Long position	Interest of controlled corporation	135,000,000 (Note 2)	23.90
Selective Choice (Note 3)	Long position	Beneficial owner	32,000,000 (Note 1)	5.66
ITC Investment (Note 3)	Long position	Interest of controlled corporation	32,000,000 (Note 1)	5.66
ITC (Note 4)	Long position	Interest of controlled corporation	32,000,000 (Note 1)	5.66
Dr. Chan	Long position	Interest of controlled corporation	32,000,000 (Note 1)	5.66
Ms. Ng	Long position	Interest of spouse	32,000,000 (Note 1)	5.66

Notes:

1. Selective Choice, a wholly-owned subsidiary of ITC Investment which, in turn, was a wholly-owned subsidiary of ITC, owned 171,583,474 Shares (of which 32,000,000 Shares related to its derivative interest). ITC Investment and ITC were deemed to be interested in 171,583,474 Shares (of which 7,187,780 Shares related to their derivative interests) which was held by Selective Choice. Dr. Chan was the controlling shareholder of ITC. Ms. Ng is the spouse of Dr. Chan. Dr. Chan owned 6,066,400 Shares and was deemed to be interested in 171,583,474 Shares (of which 32,000,000 Shares related to his derivative interest) which was held by Selective Choice. Ms. Ng was deemed to be interested in 177,649,874 Shares (of which 32,000,000 Shares related to her derivative interest) which were held by Dr. Chan and Selective Choice.
2. Hanny and Hanny Magnetics were taken to have interests in 135,000,000 Shares which related to their derivative interests held by Loyal Concept, being a wholly-owned subsidiary of Hanny Magnetics which, in turn, was a wholly-owned subsidiary of Hanny.
3. Mr. Chan, the Managing Director of the Company and an executive Director, is a director of Selective Choice and ITC Investment.
4. Mr. Cheung, the Chairman of the Company and an executive Director, is an executive director of ITC; Mr. Chan Yiu Lun, Alan, an executive Director, is an executive director of ITC; and Hon. Shek Lai Him, Abraham, *SBS, JP*, the Vice Chairman of the Company and an independent non-executive Director, is an independent non-executive director of ITC.
5. Mr. Kwok Ka Lap, Alva, an independent non-executive Director, is an independent non-executive director of Hanny.

(iii) Other members of the Group

As at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company, the following persons (not being a Director or chief executive of the Company) were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the other members of the Group:

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

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company based on the register maintained by the Company pursuant to Part XV of the SFO, no other persons (not being a Director or chief executive of the Company) had, or were deemed or taken to have, any interests or short positions in the Shares or underlying Shares which were required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, nor were there any persons, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group or held any option in respect of such capital.

3. COMPETING INTERESTS

As at the Latest Practicable Date, interests of a Director and his associates in competing businesses of the Group were as follows:

Name of Director	Name of company	Nature of competing business	Nature of interest
Mr. Cheung	Rosedale Hotel Holdings Limited (formerly known as Wing On Travel (Holdings) Limited) and its subsidiaries	Property business and hotel operation in Hong Kong and the PRC	As the chairman and an executive director
	China Development Limited	Property investment in Hong Kong	As a director and shareholder
	Artnos Limited	Property investment in Hong Kong	As a director and shareholder
	Co-Forward Development Ltd.	Property investment in Hong Kong	As a director and shareholder
	Orient Centre Limited	Property investment in Hong Kong	As a director and shareholder
	Super Time Limited	Property investment in Hong Kong	As a director and shareholder

Name of Director	Name of company	Nature of competing business	Nature of interest
Mr. Cheung	Asia City Holdings Ltd.	Property investment in Hong Kong	As a director and shareholder
	Supreme Best Ltd.	Property investment in Hong Kong	As a shareholder
	Orient Holdings Limited	Property investment in Hong Kong	As a director and shareholder
	Link Treasure International Limited	Property investment in Hong Kong	As a director and shareholder
	Silver City Limited	Property investment in Hong Kong	As a director and shareholder

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

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

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

4. OTHER INTERESTS

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have, since 31st March, 2010 (being the date to which the latest published audited accounts of the Company were made up), been (i) acquired or disposed of by; or (ii) leased to; or (iii) proposed to be acquired or disposed of by; or (iv) proposed to be leased to, any member of the Group.

Save as disclosed above, none of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the Group.

5. SERVICE CONTRACTS

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

6. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial and trading position of the Group since 31st March, 2010, being the date to which the latest published audited accounts of the Company were made up.

7. EXPERT AND CONSENT

Set out below is the qualification of the expert who has been named in this circular or has given opinion or advice which is contained in this circular:

Name	Qualification
First Shanghai	Independent financial adviser

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

As at the Latest Practicable Date, First Shanghai did not have any shareholding, directly or indirectly, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, First Shanghai did not have any direct or indirect interests in any assets which had been, since 31st March, 2010 (being the date to which the latest published audited accounts of the Company were made up), (i) acquired or disposed of by; or (ii) leased to; or (iii) proposed to be acquired or disposed of by; or (iv) proposed to be leased to, any member of the Group.

8. DOCUMENTS AVAILABLE FOR INSPECTION

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

- the letter of recommendation from the Independent Board Committee, the text of which is set out on pages 25 to 26 of this circular;
- the letter of advice from First Shanghai, the text of which is set out on pages 27 to 44 of this circular;
- the letter of consent referred to in the paragraph headed “Expert and consent” in this appendix;
- a form of the Offer Letter; and
- the Placing Agreement.

9. GENERAL

- The registered office of the Company is at Clarendon House, Church Street, Hamilton HM 11, Bermuda.
- The branch share registrar and transfer office of the Company in Hong Kong is Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong.
- The English texts of this circular, the notice of the SGM and the accompanying form of proxy prevail over their respective Chinese texts.

NOTICE OF THE SGM



德祥地產集團有限公司*

ITC PROPERTIES GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code : 199)

NOTICE IS HEREBY GIVEN that a special general meeting of **ITC Properties Group Limited** (the “**Company**”) will be held at Shop B27, Basement, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong on Friday, 13th May, 2011 at 11:00 a.m. for the purpose of considering and, if thought fit, passing, with or without modification, the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. “**THAT**

- (a) the repurchase by the Company (the “**Repurchase Offer**”) of the 1% convertible notes due on 15th June, 2011 issued by the Company in the aggregate outstanding principal amount of HK\$906,000,000 (the “**Notes**”) from the holders of the Notes (the “**Noteholders**”) (including but not limited to Selective Choice Investments Limited) pursuant to the terms and conditions set out in the offer letter from the Company to each of the Noteholders dated 25th February, 2011 (a copy of each offer letter having been produced to the meeting marked “**A**” and initialled by the Chairman of the meeting for the purpose of identification) at the amount equal to the sum of the outstanding principal amount and 10% redemption premium of the Notes payable by the Company on redemption of the Notes at maturity (the “**Redemption Amount**”) to be satisfied by way of issue by the Company of the 3.25% convertible notes due on the day falling 30 months after the date of their issue (the “**New Notes**”) in an aggregate principal amount of HK\$292,050,000 (if the Hanny Conditions are not fulfilled) or HK\$589,050,000 (if the Hanny Conditions are fulfilled) and the performance of the transactions contemplated thereunder including the issue of the New Notes to the Noteholders (including but not limited to Selective Choice Investments Limited) be and are hereby approved, confirmed and ratified (as appropriate);
- (b) the creation and issue of the New Notes at the Redemption Amount entitling the holders thereof to convert the principal amount thereof into shares of HK\$0.01 each of the Company (the “**Conversion Shares**”) at an initial conversion price of HK\$2.20 per Conversion Share (subject to adjustments) (the form of which having been produced to the meeting marked “**B**” and initialled by the Chairman of the meeting for the purpose of identification) and the terms and conditions of the New Notes be and are hereby approved;
- (c) the allotment and issue of the Conversion Shares to the holders of the New Notes contemplated and pursuant to the terms of the New Notes upon exercise of the conversion rights thereunder be and are hereby approved; and

* For identification purpose only

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- (d) the Board be and is hereby authorised to exercise all powers of the Company and take all steps as in the opinion of the Board thinks desirable, necessary or expedient in relation to the Repurchase Offer, the creation and issue of the New Notes and the allotment and issue of the Conversion Shares and otherwise in connection therewith respectively, including without limitation to the execution, amendment, supplement, delivery, submission and implementation of any documents or agreements.”

2. “THAT

- (a) the execution of the conditional placing agreement dated 15th April, 2011 (the “**Placing Agreement**”) by the Company with CCB International Capital Limited (the “**Placing Agent**”) as placing agent in respect of the placing of the 3.25% convertible notes due on the day falling 30 months after the date of their issue in the aggregate principal amount of up to HK\$407,550,000 (if the Hanny Conditions (as defined in the circular of the Company dated 21st April, 2011 (the “**Circular**”), a copy of which having been produced to the meeting marked “**C**” and initialled by the Chairman of the meeting for the purpose of identification) are fulfilled) or HK\$704,550,000 (if the Hanny Conditions are not fulfilled) (the “**Placing New Notes**”) by the Placing Agent on a best effort basis (a copy of the Placing Agreement having been produced to the meeting marked “**D**” and initialled by the Chairman of the meeting for the purpose of identification) be and is hereby approved, confirmed and ratified and the performance of the transactions contemplated thereunder be and is hereby approved;
- (b) the creation and issue of the Placing New Notes at their face value entitling the holders thereof to convert the principal amount thereof into shares of HK\$0.01 each of the Company (the “**Placing Conversion Shares**”) at an initial conversion price of HK\$2.20 per Placing Conversion Share (subject to adjustments) (the form of the Placing New Notes is the same as that of the New Notes mentioned in the ordinary resolution numbered 1 set out in the notice of the meeting of which this resolution forms part) and the terms and conditions of the Placing New Notes be and are hereby approved;
- (c) the allotment and issue of the Placing Conversion Shares to the holders of the Placing New Notes contemplated and pursuant to the terms of the Placing New Notes upon exercise of the conversion rights thereunder be and are hereby approved; and

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- (d) the Board be and is hereby authorised to exercise all powers of the Company and take all steps as in the opinion of the Board thinks desirable, necessary or expedient in relation to the Placing Agreement, the creation and issue of the Placing New Notes and the allotment and issue of the Placing Conversion Shares and otherwise in connection therewith respectively, including without limitation to the execution, amendment, supplement, delivery, submission and implementation of any documents or agreements.”

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

Hong Kong, 21st April, 2011

Registered office:
Clarendon House
Church Street
Hamilton HM 11
Bermuda

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

Notes:

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

NOTICE OF THE SGM

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

Executive directors:

Mr. Cheung Hon Kit (*Chairman*)
Mr. Chan Fut Yan (*Managing Director*)
Mr. Cheung Chi Kit
Mr. Lai Tsan Tung, David
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