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德祥地產集團有限公司*

ITC PROPERTIES GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code : 199)

(Warrant Code : 490)

INTERIM RESULTS

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2009

RESULTS

The board of directors (the “**Board**”) of ITC Properties Group Limited (the “**Company**”) is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30th September, 2009, together with the comparative figures for the corresponding period in 2008.

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2009

		Six months ended	
		30.9.2009	30.9.2008
		(unaudited)	(unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
Turnover			
– Gross proceeds	3	92,396	100,213
Revenue	3	68,688	51,834
Property sales and rental income		4,317	21,878
Golf and leisure income		14,933	16,367
Cost of sales		19,250	38,245
		(4,751)	(18,907)
Gross profit		14,499	19,338
Income from loan financing		7,833	11,784
Net gain (loss) on financial instruments		96,553	(44,533)
Other income		10,936	16,802
Increase in fair value of investment properties		31,758	–
Reversal of write-down on properties held for sale		92,591	–
Impairment loss recognised on advance to a jointly controlled entity		(10,700)	–
Administrative expenses		(65,516)	(67,123)
Share of results of associates		(2,894)	(1,507)
Share of result of a jointly controlled entity		–	(212)
Finance costs	4	(60,561)	(53,673)
Profit (loss) before taxation		114,499	(119,124)
Taxation	5	342	342
Profit (loss) for the period	6	114,841	(118,782)
Profit (loss) for the period attributable to:			
Owners of the Company		114,841	(118,782)
Minority interests		–	–
		114,841	(118,782)
Earnings (loss) per share	7		
– Basic (HK dollars)		0.24	(0.41)
– Diluted (HK dollars)		0.23	(0.41)

* For identification purpose only

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2009

	Six months ended	
	30.9.2009	30.9.2008
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Profit (loss) for the period	114,841	(118,782)
Other comprehensive income		
Net gain (loss) on fair value changes of available-for-sale investments	19,223	(23,232)
Reclassification adjustments on:		
– impairment losses recognised on available-for-sale investments	–	31,171
– disposals of available-for-sale investments	(2,038)	4,299
Exchange difference arising on translation of foreign operations	(239)	2,321
Other comprehensive income for the period	16,946	14,559
Total comprehensive income (expense) for the period	131,787	(104,223)
Total comprehensive income (expense) for the period attributable to:		
Owners of the Company	131,787	(104,223)
Minority interests	–	–
	131,787	(104,223)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30TH SEPTEMBER, 2009

	30.9.2009	31.3.2009
	(unaudited)	(audited)
<i>Note</i>	HK\$'000	HK\$'000
Non-current assets		
Property, plant and equipment	183,958	186,224
Prepaid lease payments of leasehold land	20,557	20,822
Premium on prepaid lease payments of leasehold land	110,190	111,558
Investment properties	221,000	–
Properties under development	–	189,000
Available-for-sale investments	51,568	37,892
Interests in joint ventures	51,771	44,759
Advance to a jointly controlled entity	1,300	–
Interests in associates	212,210	134,809
Unsecured loans and interest due from associates	993,687	1,073,982
Debt portion of convertible bonds	38,984	36,320
Deposits and expenses paid for acquisition of a land use right	47,275	47,275
Deposits and expenses paid for acquisition of subsidiaries	–	47,244
Other loan receivables	3,852	–
	1,936,352	1,929,885
Current assets		
Inventories	2,545	3,143
Properties held for sale	948,380	539,388
Debt portion of convertible bonds	1,179	727
Financial assets at fair value through profit or loss	189,522	176,552
Debtors, deposits and prepayments	560,613	503,148
Other loan receivables	173,014	208,727
Prepaid lease payments of leasehold land	530	530
Amounts due from associates	2,426	2,172
Unsecured loans and interest due from a related company	49,841	48,437
Pledged bank deposits	42,200	44,626
Bank balances and cash	145,730	124,035
	2,115,980	1,651,485

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONT'D)
AT 30TH SEPTEMBER, 2009

	<i>Note</i>	30.9.2009 (unaudited) HK\$'000	31.3.2009 (audited) HK\$'000
Current liabilities			
Creditors, deposits and accrued charges	9	97,769	72,047
Amount due to a minority shareholder of a subsidiary		256	395
Tax payable		11,626	11,856
Convertible note payables			
– due within one year		513,795	7,174
Obligations under finance leases			
– due within one year		83	90
Bank and other borrowings			
– due within one year		12,729	82,830
		<u>636,258</u>	<u>174,392</u>
Net current assets		<u>1,479,722</u>	<u>1,477,093</u>
Total assets less current liabilities		<u>3,416,074</u>	<u>3,406,978</u>
Non-current liabilities			
Convertible note payables			
– due after one year		867,097	1,328,913
Obligations under finance leases			
– due after one year		200	282
Bank and other borrowings			
– due after one year		378,999	40,658
Deferred tax liabilities		27,547	27,889
		<u>1,273,843</u>	<u>1,397,742</u>
		<u>2,142,231</u>	<u>2,009,236</u>
Capital and reserves			
Share capital		4,709	4,709
Reserves		2,130,337	1,997,342
		<u>2,135,046</u>	<u>2,002,051</u>
Equity attributable to owners of the Company		<u>2,135,046</u>	<u>2,002,051</u>
Minority interests		7,185	7,185
		<u>2,142,231</u>	<u>2,009,236</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2009

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31st March, 2009.

Adoption of new and revised Hong Kong Financial Reporting Standards effective in current period

In the current interim period, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations (“**new and revised HKFRSs**”) issued by the HKICPA.

Except as disclosed below, the adoption of these new and revised HKFRSs had no material effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

HKAS 1 (Revised 2007) Presentation of Financial Statements

HKAS 1 (Revised 2007) has introduced a number of terminology changes, including revised titles for the condensed consolidated financial statements, and has resulted in a number of changes in presentation and disclosure.

HKFRS 8 Operating Segments

HKFRS 8 is a disclosure Standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The predecessor Standard, HKAS 14 *Segment Reporting*, required the identification of two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group’s primary reporting format was business segments. The application of HKFRS 8 has resulted in a redesignation of the Group’s reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14 (see note 3).

HKAS 40 Investment Property

HKAS 40 *Investment Property* has been amended to include within its scope properties under construction or development for future use as investment properties and to require such properties to be measured at fair value (where the fair value is reliably determinable). In the past, the leasehold land and building element of properties under construction were accounted for separately. The leasehold land element was accounted for as an operating lease and the building element was carried at cost less accumulated impairment losses. The Group has applied the amendment to HKAS 40 prospectively from 1st April, 2009 in accordance with the relevant transitional provision. As a result of the application of the amendment, the Group’s properties under construction for future use as investment properties that include the leasehold land and building element have been classified as investment properties and measured at fair values as at 30th September, 2009, with the fair value gain being recognised in profit or loss for the six months ended 30th September, 2009. The carrying amount of the properties under development as at 1st April, 2009 approximates to its fair value on that date.

In addition, the Group has applied the following accounting policy during the current interim period for its investment properties.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

On initial recognition, investment properties are measured at cost, including any directly attributable expenses. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the year in which they arise.

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

New and revised HKFRSs issued but not yet effective

The Group has not early applied any new or revised standards, amendments or interpretations that have been issued but are not yet effective. The adoption of HKFRS 3 (Revised) may affect the Group's accounting for business combinations for which the acquisition dates are on or after 1st April, 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. The directors of the Company (the "**Directors**") anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the condensed consolidated financial statements of the Group.

3. SEGMENT INFORMATION

The Group has adopted HKFRS 8 *Operating Segments* with effect from 1st April, 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker ("**CODM**") in order to allocate resources to segments and to assess their performance. In contrast, the predecessor Standard (HKAS 14 *Segment Reporting*) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments. The application of HKFRS 8 has resulted in redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14.

In previous year, the Group's primary reporting format was business segments and was organised into five operating divisions, namely property development, property investment, golf and leisure, securities investment and finance. However, for the property operations, the CODM (i.e. the executive directors and certain senior management) reviews the financial information of the property development and investment projects altogether. Therefore, the property operations are disclosed as one reportable segment. The principal locations of the Group's property projects as at 30th September, 2009 are Hong Kong and Macau.

The Group's reportable segments under HKFRS 8 are therefore as follows:

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

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

Information regarding these segments is reported below. Amounts reported for the prior period have been restated to conform to the requirements of HKFRS 8.

For the six months ended 30th September, 2009

	Turnover	Revenue	Operating profit (loss)	Share of results of associates	Share of results of a jointly controlled entity	Finance costs	Profit (loss) before taxation
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Golf and leisure							
PRC	18,116	18,116	(19,568)	-	-	(833)	(20,401)
Property							
Macau	-	-	(4,068)	(2,894)	-	(1,840)	(8,802)
Hong Kong	1,134	1,134	124,080	-	-	(3,964)	120,116
Property total	1,134	1,134	120,012	(2,894)	-	(5,804)	111,314
Securities investments	65,313	41,605	96,160	-	-	(2)	96,158
Finance	7,833	7,833	10,820	-	-	-	10,820
SEGMENT TOTAL	92,396	68,688	207,424	(2,894)	-	(6,639)	197,891
Corporate expenses	-	-	(29,470)	-	-	(53,922)	(83,392)
GROUP TOTAL	92,396	68,688	177,954	(2,894)	-	(60,561)	114,499

For the six months ended 30th September, 2008

	Turnover	Revenue	Operating profit (loss)	Share of results of associates	Share of results of a jointly controlled entity	Finance costs	Profit (loss) before taxation
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Golf and leisure							
PRC	18,945	18,945	(7,445)	-	-	(1,114)	(8,559)
Property							
Macau	11,356	11,356	9,226	(1,507)	-	(2,532)	5,187
Hong Kong	7,944	7,944	3,065	-	(212)	(25)	2,828
Property total	19,300	19,300	12,291	(1,507)	(212)	(2,557)	8,015
Securities investments	50,184	1,805	(44,471)	-	-	(14)	(44,485)
Finance	11,784	11,784	13,970	-	-	-	13,970
SEGMENT TOTAL	100,213	51,834	(25,655)	(1,507)	(212)	(3,685)	(31,059)
Corporate expenses	-	-	(38,077)	-	-	(49,988)	(88,065)
GROUP TOTAL	100,213	51,834	(63,732)	(1,507)	(212)	(53,673)	(119,124)

4. FINANCE COSTS

	Six months ended	
	30.9.2009 HK\$'000	30.9.2008 HK\$'000
Interest on:		
Bank and other borrowings wholly repayable within five years	6,707	3,685
Obligations under finance leases	14	12
Effective interest on convertible note payables	53,840	49,976
	<u>60,561</u>	<u>53,673</u>

5. TAXATION

The tax credit represents deferred tax credit on accelerated tax depreciation for both periods. No provision for Hong Kong Profits Tax has been made in the condensed consolidated financial statements for both periods as the Company's subsidiaries either incurred tax losses or utilised the tax losses brought forward to offset the assessable profits.

Hong Kong Profits Tax is calculated at 16.5% (2008: 16.5%) of the estimated assessable profits for the six months ended 30th September, 2009.

Taxation arising in other jurisdictions is calculated at rates prevailing in the relevant jurisdictions.

6. PROFIT (LOSS) FOR THE PERIOD

	Six months ended	
	30.9.2009 HK\$'000	30.9.2008 HK\$'000
Profit (loss) for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	6,029	5,439
Release of prepaid lease payments of leasehold land	262	262
Amortisation of premium on prepaid lease payments of leasehold land	1,368	1,368
Equity-settled share-based payments expenses	1,208	3,999
Loss on disposal of property, plant and equipment	73	117
Interest income	<u>(18,217)</u>	<u>(25,073)</u>

7. EARNINGS (LOSS) PER SHARE

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

	Six months ended	
	30.9.2009 HK\$'000	30.9.2008 HK\$'000
Earnings (loss):		
Earnings (loss) for the purpose of basic earnings (loss) per share		
– profit (loss) for the period attributable to the owners of the Company	114,841	(118,782)
Effect of dilutive potential ordinary shares		
– interest on convertible note payables	14,516	–
Earnings for the purpose of diluted earnings per share	<u>129,357</u>	<u>(118,782)</u>
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	470,917,484	293,239,510
Effect of dilutive potential ordinary shares		
– convertible note payables	86,083,901	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>557,001,385</u>	<u>293,239,510</u>

Note: The weighted average number of ordinary shares for the purpose of basic and diluted loss per share for the prior period has been adjusted for the effect of capital reorganisation effective on 16th March, 2009.

The calculation of diluted earnings (loss) per share for the six months ended 30th September, 2009 and 2008 has not assumed the exercise of the share options and warrants as the exercise prices of those options and warrants are higher than the average market price for shares during both periods.

The calculation of diluted loss per share for the six months ended 30th September, 2008 has not assumed the conversion of the Company's convertible note payables as these potential ordinary shares are anti-dilutive during that period.

8. DEBTORS, DEPOSITS AND PREPAYMENTS

Included in debtors, deposits and prepayments are trade debtors of approximately HK\$3,767,000 (31st March, 2009: HK\$5,412,000).

The following is an analysis of trade debtors by age, presented based on the invoice date:

	30.9.2009	31.3.2009
	HK\$'000	HK\$'000
Trade debtors aged:		
0 – 60 days	694	864
61 – 90 days	111	431
Over 90 days	2,962	4,117
	<u>3,767</u>	<u>5,412</u>

9. CREDITORS, DEPOSITS AND ACCRUED CHARGES

Included in creditors, deposits and accrued charges are trade creditors of approximately HK\$2,075,000 (31st March, 2009: HK\$2,009,000).

The following is an analysis of trade creditors by age, presented based on the invoice date:

	30.9.2009 <i>HK\$'000</i>	31.3.2009 <i>HK\$'000</i>
Trade creditors aged:		
0 – 60 days	921	763
61 – 90 days	282	447
Over 90 days	872	799
	<hr/> 2,075 <hr/>	<hr/> 2,009 <hr/>

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend in respect of the six months ended 30th September, 2009 (six months ended 30th September, 2008: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group's turnover for the six months ended 30th September, 2009 was approximately HK\$92.4 million, showing a reduction of HK\$7.8 million from the comparative figure of HK\$100.2 million mainly due to decrease in sales of properties during the period. The gross profit decreased from HK\$19.3 million last period to approximately HK\$14.5 million for the period.

Income from loan financing amounted to HK\$7.8 million for the period, showing a decrease as compared with HK\$11.8 million in last period mainly due to the repayment of other loan receivables.

Due to the boom in the property market in Hong Kong since the second quarter of 2009, the Group has recognised increase in fair value of investment properties of HK\$31.8 million and reversal of write-down on properties held for sale of HK\$92.6 million. In addition, attributable to the rebound of the stock market in Hong Kong since the second quarter of 2009, the Group has realised certain investments in financial instruments and recorded a net gain of approximately HK\$96.6 million. As a result, the Group achieved a profit of HK\$114.8 million for the six months ended 30th September, 2009 showing a strong turn-around from the loss of HK\$118.8 million same period last year.

Property

Macau:

Empresa De Fomento Industrial E Comercial Concórdia, S.A. (“**Concordia**”), of which the Group has an effective interest of 35.5% has taken the last couple of years to complete all formalities with the Macau governmental authorities enabling Concordia to develop the newly re-aligned lots into over 4,000 luxury residential units and 80 villas, state-of-the-art clubhouse facilities. Together with seven blocks of residential flats, an ultra-luxury hotel occupying 800,000 sq. ft. catered for the Japanese tourists together with shopping facilities and HIP food and beverage outlets will be included as Phase I of the development, which is scheduled to be completed towards the end of 2011. Concordia has itself secured banking facilities adequate to finance the construction cost of the Phase I residential development.

A sale office together with show flats are being set up within a shopping centre at the central district of Macau. Marketing of the 1,356 residential units in Phase I will start in the first quarter of 2010.

In December 2009, the Group entered into an agreement to dispose of all its interest in 44 residential units at Zhu Kuan Mansion for approximately HK\$132.1 million earning a reasonable profit for the Group. The remaining portfolio of property inventory in Macau, which consists of 15 residential units and 15 car parking spaces at Pearl on the Lough, have been launched for sale recently.

HK:

During the period, the Group has completed the acquisition of the interests in over 90% property interests at Nos. 35, 37, 39-39A, 39B and 39C Tung Lo Wan Road and the whole block interests at No. 33 Tung Lo Wan Road. Together with the prior acquisitions of the interests in over 90% property interests at No. 7 Moreton Terrace and the whole block interests at Nos. 19-21 Shelter Street, the Group currently intends to redevelop these properties on an amalgamated site area of about 11,700 sq. ft. into a high-rise complex with a 300-room hotel on the lower levels and deluxe residential units on the upper levels (the “**Causeway Bay Project**”).

The 2 adjacent blocks of building located at 703 and 705, Nathan Road (the “**Nathan Road Project**”), in which the Group has entire interest, have been demolished. The site will be developed into a ginza-style retails, food and beverage complex with gross floor area of approximately 30,000 sq. ft. Completion is expected in the second quarter of 2011.

As at 30th September, 2009, there were 6 residential units and 1 commercial unit at Talon Tower on Connaught Road West remained unsold.

PRC:

In November 2009, the Group has entered into an agreement in relation to the formation of a joint venture company (the “**JVC**”) in which the Group owns 45% equity interest. The JVC is principally engaged in the development and management of a hot spring and resort project (the “**Guiyang Project**”) in Guiyang City, the People’s Republic of China (the “**PRC**”). In December 2009, the JVC has secured to obtain through public listing and bidding process the state-owned land use rights certificate of a parcel of land in Wudang District, Guiyang City, Guizhou Province, the PRC which site area is approximately 374,495 sq. m. (the “**Guiyang Land**”) and can be developed for residential, commercial, cultural, recreational and resort uses. The preliminary maximum plot ratio is in the range of 1.0 to 1.5. The acquisition of the Guiyang Land is the stepping stone for the JVC to commence the Guiyang Project.

In December 2009, the Group entered into two sale and purchase agreements (the “**Agreements**”) to acquire a company which owns a parcel of land in Guangzhou, the PRC, for property development purpose. The consideration for the acquisition is approximately HK\$960.0 million. Details of the Agreements will be disclosed in an announcement to be released by the Company.

The title transfer of the parcel of land at Hengqin, Zhuhai, located right on the waterfront across from Cotai, Macau is still pending upon lifting of moratorium for land transfer within the Hengqin area. The site area is approximately 26,000 sq. m. with plot ratio of 1.6 which permitted uses under prevailing town planning guidelines are commercial, residential, hotel and retail.

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

Location	Usage	Group's interest (%)	Attributable Gross Floor Area (sq. ft.)
Concordia Land situated at Estrada de Seac Pai Van, Macau	Residential/ Commercial/ Hotel	35.5	2,250,000
15 residential units and 15 car parking spaces at Pearl on the Lough, Iiha da Taipa, junto à Estrada Nordeste da Taipa Aterro da Baía de Pac On, Macau	Residential	100	37,000
6 residential units and 1 commercial unit at Talon Tower, 38 Connaught Road West, Hong Kong	Residential/ Commercial	100	8,275
Nathan Road Project situated at 703 and 705, Nathan Road, Mongkok, Kowloon, Hong Kong	Retailing	100	30,000
Causeway Bay Project comprising:			
– Nos. 19-21 Shelter Street, Causeway Bay, Hong Kong		100	157,300
– No. 7 Moreton Terrace, Causeway Bay, Hong Kong		Over 90	
– Nos. 35, 37, 39-39A, 39B and 39C Tung Lo Wan Road, Causeway Bay, Hong Kong	Hotel/ Offices/ Shops	Over 90	
– No. 33 Tung Lo Wan Road, Causeway Bay, Hong Kong		100	
Guiyang Land situated at Wudang District, Guiyang, Guizhou, the PRC	Residential/ Commercial/ Cultural/ Recreational/ Resort	45	1,800,000

Golf and Leisure

The turnover from the golf and leisure business during the six months ended 30th September, 2009 was HK\$18.1 million (six months ended 30th September, 2008: HK\$18.9 million) with a segmental loss of HK\$20.4 million (six months ended 30th September, 2008: HK\$8.6 million).

The Group is currently carrying out the construction of members' village initially of around 50 villas within the Sun Valley Golf Resort to provide its members a pleasant accommodation for their get-away holidays. Simultaneously, around 300 new memberships will be promoted which holders can enjoy these members' village on a time-share basis. In addition, the enlarged hotel development plan of gross floor area of approximately 66,800 sq. m. including 28 units of deluxe villas, 3 hotel buildings, a conference centre, a resort facility building and a driving range within the Sun Valley Golf Resort (the "Sanya Hotel Project") has been formally approved by the authority. Development works will be commenced shortly.

After the disposal of the entire interest in the Lotus Hill Golf Resort, the Group remains as the lessee of the golf resort as well as a partner to the development of villas therein. The development, through the joint venture, of 28 villas within the golf resort is progressing well. In November 2009, a selling agency agreement on a fully underwritten basis has been entered into which secured a reasonable profit from the joint venture attributable to the Group.

Securities Investment

To take advantage from the rebound in the securities market during the period, the Group realised considerable gain from partial disposal of its securities investment. During the six months ended 30th September, 2009, turnover and segmental profit from securities investment were HK\$65.3 million (six months ended 30th September, 2008: HK\$50.2 million) and HK\$96.2 million (six months ended 30th September, 2008: a segmental loss of HK\$44.5 million) respectively. As at 30th September, 2009, the Group had available-for-sale investments and financial assets at fair value through profit or loss in an aggregate sum of HK\$241.1 million, mainly comprised shares listed in Hong Kong and Singapore.

Finance

During the six months ended 30th September, 2009, the Group had interest income from convertible bonds, a related company and other loan receivables of HK\$10.9 million. As at 30th September, 2009, debt portion of convertible bonds, unsecured loans and interest due from a related company and other loan receivables of the Group amounted to HK\$40.2 million, HK\$49.8 million and HK\$176.9 million respectively.

FINANCIAL REVIEW

The Group adopts a prudent funding and treasury policy with regard to its overall business operations. In addition to the convertible note payables, a variety of credit facilities is maintained so as to meet its working capital requirements.

During the six months ended 30th September, 2009, the Group has obtained additional bank and other borrowings of approximately HK\$374.8 million, mainly to finance the development of the Nathan Road Project, the Causeway Bay Project and refinance certain debts upon their maturities. As at 30th September, 2009, total bank and other borrowings amounted to HK\$391.7 million, of which HK\$379.0 million was repayable after one year. The net gearing ratio of the Group, calculated with reference to the bank and other borrowings of HK\$391.7 million and the fair value of the liability component of convertible note payables of HK\$1,380.9 million, offsetting with the pledged bank deposits and the bank and cash balances of HK\$187.9 million, and the Group's shareholders' funds of HK\$2,135.0 million, was 0.74 as at 30th September, 2009, as compared to 0.64 as at 31st March, 2009.

All of the bank and other borrowings were interest-bearing with variable rates. The management anticipates that interest rate remains stable in the capital market and therefore no hedge is to be made against any unfavourable fluctuation in interest rate. Most of the assets and liabilities of the Group were denominated in Hong Kong dollars, Renminbi and Macau Pataca, and hence the Directors considered that the Group was not subject to any material adverse exchange rate exposure.

OUTLOOK

Having continued with its investment strategy to look for quality properties by taking a more prudent approach with primary focus on enhancing the synergistic value of its existing portfolio, the Group secures the acquisition of the Guiyang Project to enlarge its property portfolio. Based on the prevailing plan, the developments of Phase I of the Concordia Land, the Causeway Bay Project, the Nathan Road Project, the Sanya Hotel Project and Phase I of the Guiyang Project will be completed over the coming years. By the time of their respective completions, it is anticipated that the Group can take full benefit in the next economy cycle up-swing. For other properties held for sale, the Group has already been taking steps for their realisations. Having taken into account the existing market condition, the management considers that their carrying values are reasonable which may further be sold when there are suitable opportunities.

The huge quantitative easing policies implemented by the governments of the PRC, the United States of America and most European countries since the outspread of financial tsunami last year have aided the economy recovery. These policy-makers reiterate the need to maintain such stimulus and tightening of the monetary policy is not imminent. Given that the interest rate will remain at record low in the near future and public confidence in financial products need certain time to rebuild, investors in general prefer property as their core investments. The property markets in Hong Kong, Macau, and major cities of the PRC rebound in the second half of 2009 with significant improvements in both transaction volume and price. In the foreseeable future, there will only be limited new supply of properties in prime locations, in particular for Hong Kong and Macau. It is expected that property price shall remain at a relative high level in spite of inevitable short term market solidification. In view that all properties in its portfolio, which are located in Macau, Hong Kong and the PRC, were acquired at reasonable costs with superb intrinsic value, barring unforeseen circumstances, the Group is optimistic in capturing future capital gains from these investments.

PLEDGE OF ASSETS

As at 30th September, 2009, the Group's general credit facilities granted by banks and financial institutions were secured by pledges of the Group's investment properties of HK\$221.0 million, properties held for sale in an aggregate value of HK\$223.5 million, bank balances of HK\$42.2 million and property, plant and equipment of HK\$0.4 million.

NUMBER OF EMPLOYEES, REMUNERATION POLICIES AND SHARE OPTION SCHEME

As at 30th September, 2009, the number of employees of the Group was 556 (31st March, 2009: 554). Employees are remunerated according to their qualifications and experience, job nature and performance, under the pay scales aligned with market conditions. Other benefits to employees include medical, insurance cover and retirement schemes.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30th September, 2009.

SECURITIES IN ISSUE

There was no movement in the issued share capital of the Company during the six months ended 30th September, 2009. As at 30th September, 2009, there were 470,917,484 ordinary shares in issue and a total of 3,698,552 adjusted share options at the adjusted exercise price of HK\$10.550 per share and 99,056,576 adjusted warrants at the adjusted exercise price of HK\$2.625 per share which remain outstanding. In addition, there were (i) zero coupon convertible notes due 2010 in the aggregate outstanding principal amount of HK\$471,050,000 at the adjusted conversion price of HK\$5.675 per share issued by the Company on 11th August, 2005; (ii) zero coupon convertible notes due 2010 in the aggregate outstanding principal amount of HK\$17,476,177 at the adjusted conversion price of HK\$5.675 per share issued by the Company on 8th June, 2006; and (iii) 1% convertible notes due 2011 in the aggregate outstanding principal amount of HK\$906,000,000 at the adjusted conversion price of HK\$9.025 per share issued by the Company on 15th June, 2006 which remain outstanding.

AUDIT COMMITTEE

The principal duties of the audit committee of the Company (the "**Audit Committee**") include reviewing the Group's interim and final results prior to recommending them to the Board for its approval, appointing external auditors and reviewing the relationship with the external auditors of the Company, reviewing the Group's financial information and the Company's financial reporting system and internal control procedures. The Audit Committee, with specific written terms of reference in line with the code provisions of the Code on Corporate Governance Practices (the "**Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing Rules**"), currently comprises three independent non-executive Directors, namely, Mr. Wong Chi Keung, Alvin (chairman of the Audit Committee), Mr. Qiao Xiaodong and Mr. Kwok Ka Lap, Alva.

The Audit Committee has reviewed with the management and the Company's auditors the accounting principles and practices adopted by the Group and discussed auditing, financial reporting process and internal control matters including a review of the unaudited interim financial report for the six months ended 30th September, 2009.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining a high standard of corporate governance practices and procedures and to complying with statutory and regulatory requirements with an aim to maximizing the shareholders' values and interests as well as to enhancing the stakeholders' transparency and accountability. The Company has, throughout the six months ended 30th September, 2009, complied with the code provisions of the Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. Specific enquiry has been made with all Directors of the Company and the Directors have confirmed that they have complied with the required standard as set out in the Model Code during the six months ended 30th September, 2009.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT ON THE WEBSITE OF THE STOCK EXCHANGE

This interim results announcement is published on the website of the Stock Exchange. The interim report for the six months ended 30th September, 2009 will be despatched to the shareholders and, for information only, the holders of the warrants and the convertible notes of the Company and will be published on the website of the Stock Exchange in due course.

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

Hong Kong, 17th December, 2009

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

Executive Directors:

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

Independent non-executive Directors:

Mr. Qiao Xiaodong (*Vice Chairman*)
Mr. Wong Chi Keung, Alvin
Mr. Kwok Ka Lap, Alva

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