



德祥地產集團有限公司*

ITC PROPERTIES GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code : 199)

**INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2008**

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, 2008, together with the comparative figures for the corresponding period in 2007.

**CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2008**

		Six months ended	
		30.9.2008 (unaudited)	30.9.2007 (unaudited and restated)
	Notes	HK\$'000	HK\$'000
Continuing operations			
Gross proceeds	3	<u>100,213</u>	<u>314,414</u>
Revenue	3	<u>51,834</u>	<u>60,022</u>
Property sales and rental income		21,878	7,903
Golf and leisure income		<u>16,367</u>	<u>24,994</u>
		38,245	32,897
Cost of sales		<u>(18,907)</u>	<u>(11,589)</u>
Gross profit		19,338	21,308
Income from loan financing		11,784	20,395
Net (loss) gain on financial instruments		(44,533)	57,035
Other income		16,802	46,031
Administrative expenses		(67,123)	(62,091)
Impairment losses on prepaid lease payments of leasehold land and premium on prepaid lease payments of leasehold land		–	(45,000)
Loss on disposal of an associate		–	(39,486)
Share of results of associates		(1,507)	(33,036)
Share of result of a jointly controlled entity		(212)	–
Finance costs	4	<u>(53,673)</u>	<u>(55,523)</u>
Loss before taxation		<u>(119,124)</u>	<u>(90,367)</u>
Taxation	5	<u>342</u>	<u>(2,400)</u>
Loss for the period from continuing operations		<u>(118,782)</u>	<u>(92,767)</u>
Discontinued operations			
Loss for the period from discontinued operations		–	<u>(16,964)</u>
Loss for the period	6	<u>(118,782)</u>	<u>(109,731)</u>

* For identification purpose only

		Six months ended	
		30.9.2008	30.9.2007
		(unaudited)	(unaudited and restated)
	<i>Note</i>	HK\$'000	HK\$'000
Attributable to:			
Equity holders of the Company		(118,782)	(108,877)
Minority interests		—	(854)
		<u>(118,782)</u>	<u>(109,731)</u>
Loss per share	7		
From continuing and discontinued operations:			
Basic and diluted (HK cents)		<u>(1.65)</u>	<u>(2.47)</u>
From continuing operations:			
Basic and diluted (HK cents)		<u>(1.65)</u>	<u>(2.09)</u>

CONDENSED CONSOLIDATED BALANCE SHEET
AT 30TH SEPTEMBER, 2008

	30.9.2008	31.3.2008
	(unaudited)	(audited and restated)
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets		
Property, plant and equipment	189,993	178,543
Prepaid lease payments of leasehold land	21,088	20,808
Premium on prepaid lease payments of leasehold land	112,926	114,294
Available-for-sale investments	59,073	94,570
Interest in a joint venture	34,035	14,745
Interests in associates	135,376	135,503
Loans and interest due from associates	1,076,312	1,077,690
Debt portion of convertible bonds	33,947	51,120
Derivatives embedded in convertible bonds	–	4,865
Properties under development	242,261	240,853
Deposits paid for acquisition of a land use right	47,275	47,275
	1,952,286	1,980,266
Current assets		
Inventories	2,596	2,161
Financial assets at fair value through profit or loss	168,681	11,957
Properties held for sale	340,131	252,903
Deposits paid for acquisition of properties held for sale	20,477	–
Debt portion of convertible bonds	284	–
Debtors, deposits and prepayments	501,150	514,795
Prepaid lease payments of leasehold land	530	517
Other loan receivables	308,970	243,133
Amounts due from associates	2,097	2,154
Unsecured loans and interest due from related companies	60,105	58,251
Pledged bank deposits	46,689	51,818
Bank balances and cash	533,967	243,038
	1,985,677	1,380,727

	<i>Note</i>	30.9.2008 (unaudited) HK\$'000	31.3.2008 (audited and restated) HK\$'000
Current liabilities			
Creditors, deposits and accrued charges	9	111,549	70,392
Amounts due to minority shareholders of subsidiaries		921	890
Tax payable		13,552	13,252
Convertible note payables			
– due within one year		2,655	7,284
Obligations under finance leases			
– due within one year		62	49
Bank and other borrowings			
– due within one year		105,902	113,996
		<u>234,641</u>	<u>205,863</u>
Net current assets		<u>1,751,036</u>	<u>1,174,864</u>
Total assets less current liabilities		<u>3,703,322</u>	<u>3,155,130</u>
Non-current liabilities			
Convertible note payables			
– due after one year		1,281,993	1,236,559
Obligations under finance leases			
– due after one year		191	173
Bank and other borrowings			
– due after one year		33,583	39,647
Deferred tax liabilities		28,232	28,574
		<u>1,343,999</u>	<u>1,304,953</u>
		<u>2,359,323</u>	<u>1,850,177</u>
Capital and reserves			
Share capital		119,943	30,955
Reserves		2,232,201	1,812,043
Equity attributable to the equity holders of the Company		2,352,144	1,842,998
Minority interests		7,179	7,179
		<u>2,359,323</u>	<u>1,850,177</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2008

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 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, 2008. In addition, the Group has applied the following accounting policies during the current interim period:

Warrants

Warrants issued by the Company that will be settled by the exchange of a fixed amount of cash for a fixed number of the Company’s own equity instruments are classified as an equity instrument.

The fair value of warrants on the date of issue is recognised in equity (warrant reserve). The warrant reserve will be transferred to share capital and share premium upon exercise of the warrants. Where the warrants remain unexercised at the expiry date, the amount previously recognised in warrant reserve will be released to the accumulated profits or losses.

Jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group’s share of the net assets of the jointly controlled entities, less any identified impairment loss. When the Group’s share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group’s net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

When a group entity transacts with a jointly controlled entity of the Group, profits or losses are eliminated to the extent of the Group’s interest in the jointly controlled entity.

In the current interim period, the Group has applied, for the first time, amendments and interpretations (“**new HKFRSs**”) issued by the HKICPA, which are effective for the Group’s financial year beginning 1st April, 2008 or immediately effective from 1st July, 2008. The adoption of these new HKFRSs had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the following new or revised standards, amendments or interpretations that have been issued but are not yet effective:

HKFRSs (Amendments)	Improvements to HKFRSs ¹
HKAS 1 (Revised)	Presentation of Financial Statements ²
HKAS 23 (Revised)	Borrowing Costs ²
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ³
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation ²
HKAS 39 (Amendment)	Eligible Hedged Items ³
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate ²
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations ²
HKFRS 3 (Revised)	Business Combinations ³
HKFRS 8	Operating Segments ²
HK(IFRIC)-Int 13	Customer Loyalty Programmes ⁴
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate ²
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation ⁵
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners ³

¹ Effective for annual periods beginning on or after 1st January, 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1st July, 2009

² Effective for annual periods beginning on or after 1st January, 2009

³ Effective for annual periods beginning on or after 1st July, 2009

⁴ Effective for annual periods beginning on or after 1st July, 2008

⁵ Effective for annual periods beginning on or after 1st October, 2008

The adoption of HKAS 1 results in a change in presentation of the primary statements of financial statements and HKFRS 8 results in a change in the basis of reporting of segment information. The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1st July, 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent’s ownership in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The directors of the Company (the “**Directors**”) anticipate that the application of the other new or revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. GROSS PROCEEDS AND SEGMENT INFORMATION

For management purposes, the Group is currently organised into five operating divisions. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

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

The Group was previously engaged in trading of motorcycles and manufacturing and trading of medicine and health products, which were discontinued in March 2008 and July 2007, respectively.

Gross proceeds comprise revenue from property development and investment, golf and leisure operations, loan financing income, dividend income from investments held-for-trading and gross proceeds from disposal of investments held-for-trading. Revenues include revenue from property development and investment, golf and leisure operations, loan financing income, dividend income from investments held-for-trading and net realised gain on sales of investments held-for-trading. For the six months ended 30th September, 2007, revenue included gross proceeds from disposal of investments held-for-trading of HK\$260,266,000 and interest on loan due from an associate of HK\$37,619,000 which shall be included in other income. Comparative figures are restated to conform with current period presentation.

For the six months ended 30th September, 2008

	Property development HK\$'000	Property investment HK\$'000	Golf and leisure HK\$'000	Securities investment HK\$'000	Finance HK\$'000	Segment total HK\$'000	Elimination/ adjustments HK\$'000	Consolidated HK\$'000
GROSS PROCEEDS	<u>796</u>	<u>21,082</u>	<u>16,367</u>	<u>50,184</u>	<u>11,784</u>	<u>100,213</u>	<u>-</u>	<u>100,213</u>
REVENUE								
External sales	796	21,082	16,367	1,805	11,784	51,834	-	51,834
Inter-segment sales*	-	-	-	-	8,924	8,924	(8,924)	-
Total	<u>796</u>	<u>21,082</u>	<u>16,367</u>	<u>1,805</u>	<u>20,708</u>	<u>60,758</u>	<u>(8,924)</u>	<u>51,834</u>
SEGMENT RESULTS	<u>(8,924)</u>	<u>5,145</u>	<u>(9,208)</u>	<u>(47,942)</u>	<u>4,357</u>	<u>(56,572)</u>	<u>7,113</u>	<u>(49,459)</u>
Unallocated corporate income						17,236	-	17,236
Unallocated corporate expenses						(31,509)	-	(31,509)
Share of results of associates	(1,507)	-	-	-	-	(1,507)	-	(1,507)
Share of result of a jointly controlled entity	(212)	-	-	-	-	(212)	-	(212)
Finance costs						(53,673)	-	(53,673)
Loss before taxation						(126,237)	7,113	(119,124)
Taxation						342	-	342
Loss for the period						<u>(125,895)</u>	<u>7,113</u>	<u>(118,782)</u>

* Inter-segment sales were charged at terms determined and agreed between group companies

For the six months ended 30th September, 2007

	Continuing operations						Discontinued operations					Total Consolidated HK\$'000
	Property development HK\$'000	Property investment HK\$'000	Golf and leisure HK\$'000	Securities investment HK\$'000	Finance HK\$'000	Segment total HK\$'000	Elimination/ adjustments HK\$'000	Total HK\$'000	Motorcycles HK\$'000	Medicine and health products HK\$'000	Total HK\$'000	
GROSS PROCEEDS	978	6,925	24,994	261,122	20,395	314,414	-	314,414	9,044	115,741	124,785	439,199
REVENUE												
External sales	978	6,925	24,994	6,730	20,395	60,022	-	60,022	9,044	115,741	124,785	184,807
Inter-segment sales*	-	-	-	-	14,005	14,005	(14,005)	-	-	-	-	-
Total	978	6,925	24,994	6,730	34,400	74,027	(14,005)	60,022	9,044	115,741	124,785	184,807
SEGMENT RESULTS	(322)	2,215	(10,651)	54,079	1,406	46,727	18,815	65,542	347	1,747	2,094	67,636
Unallocated corporate income						44,323	-	44,323			689	45,012
Unallocated corporate expenses						(27,187)	-	(27,187)			-	(27,187)
Impairment losses on prepaid lease payments of leasehold land and premium on prepaid lease payment of leasehold land	-	-	(45,000)	-	-	(45,000)	-	(45,000)	-	-	-	(45,000)
Loss on disposal of an associate	-	(39,486)	-	-	-	(39,486)	-	(39,486)	-	-	-	(39,486)
Share of results of associates	(38,036)	5,000	-	-	-	(33,036)	-	(33,036)	-	-	-	(33,036)
Finance costs						(55,523)	-	(55,523)			(612)	(56,135)
(Loss) profit before taxation						(109,182)	18,815	(90,367)			2,171	(88,196)
Taxation						(2,400)	-	(2,400)			(558)	(2,958)
Loss on disposal of discontinued operations						-	-	-			(18,577)	(18,577)
Loss for the period						(111,582)	18,815	(92,767)			(16,964)	(109,731)

* *Inter-segment sales were charged at terms determined and agreed between group companies*

4. FINANCE COSTS

	<u>Continuing operations</u>		<u>Discontinued operations</u>		<u>Consolidated</u>	
	<u>Six months ended</u>		<u>Six months ended</u>		<u>Six months ended</u>	
	<u>30.9.2008</u>	<u>30.9.2007</u>	<u>30.9.2008</u>	<u>30.9.2007</u>	<u>30.9.2008</u>	<u>30.9.2007</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on:						
Unsecured loans from minority shareholders of subsidiaries	-	216	-	-	-	216
Unsecured loans from a related company	-	49	-	-	-	49
Bank and other borrowings wholly repayable within five years	3,685	5,376	-	612	3,685	5,988
Obligations under finance leases	12	4	-	-	12	4
Effective interest on convertible note payables	49,976	49,878	-	-	49,976	49,878
	53,673	55,523	-	612	53,673	56,135

5. TAXATION

	<u>Continuing operations</u>		<u>Discontinued operations</u>		<u>Consolidated</u>	
	<u>Six months ended</u>		<u>Six months ended</u>		<u>Six months ended</u>	
	<u>30.9.2008</u>	<u>30.9.2007</u>	<u>30.9.2008</u>	<u>30.9.2007</u>	<u>30.9.2008</u>	<u>30.9.2007</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax:						
Hong Kong Profits Tax	-	56	-	-	-	56
Taxation in other jurisdictions	-	66	-	558	-	624
	-	122	-	558	-	680
Deferred tax (credit) charge	(342)	2,278	-	-	(342)	2,278
	(342)	2,400	-	558	(342)	2,958

On 26th June, 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which includes the reduction in corporate profits tax rate by 1% to 16.5% effective from the year of assessment 2008–2009. Accordingly, Hong Kong Profits Tax is calculated at 16.5% (2007: 17.5%) of the estimated assessable profits for the six months ended 30th September, 2008.

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

6. LOSS FOR THE PERIOD

	<u>Continuing operations</u>		<u>Discontinued operations</u>		<u>Consolidated</u>	
	Six months ended		Six months ended		Six months ended	
	30.9.2008	30.9.2007	30.9.2008	30.9.2007	30.9.2008	30.9.2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss for the period has been arrived at after charging (crediting):						
Depreciation of property, plant and equipment	5,439	8,712	–	1,881	5,439	10,593
Release of prepaid lease payments of leasehold land	262	1,237	–	10	262	1,247
Amortisation of premium on prepaid lease payments of leasehold land	1,368	1,542	–	–	1,368	1,542
Equity-settled share-based payments expenses	3,999	2,771	–	–	3,999	2,771
Loss on disposal of property, plant and equipment	117	33	–	14	117	47
Interest income	(25,073)	(63,232)	–	(691)	(25,073)	(63,923)

7. LOSS PER SHARE

From continuing and discontinued operations

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

	Six months ended	
	30.9.2008	30.9.2007
	HK\$'000	HK\$'000
Loss:		
Loss for the period attributable to the equity holders of the Company and loss for the purpose of basic loss per share	<u>(118,782)</u>	<u>(108,877)</u>
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic loss per share	<u>7,218,563,891</u>	<u>4,411,602,066</u>

The calculation of diluted loss per share for the six months ended 30th September, 2007 and 2008 has not assumed the conversion of the Company's convertible notes and exercise of the share options and warrants as these potential ordinary shares are anti-dilutive during both periods.

The weighted average number of ordinary shares for the basic and diluted loss per share for both periods has been adjusted for the rights issue on 5th August, 2008.

From continuing operations

The calculation of the basic and diluted loss per share from continuing operations attributable to the ordinary equity holders of the Company is based on the following data:

	Six months ended	
	30.9.2008	30.9.2007
	HK\$'000	HK\$'000
Loss:		
Loss for the period attributable to the equity holders of the Company and loss for the purpose of basic loss per share	(118,782)	(108,877)
<i>Less:</i> Loss for the period from discontinued operations attributable to the equity holders of the Company	—	(16,894)
Loss for the purpose of basic loss per share from continuing operations	<u>(118,782)</u>	<u>(91,983)</u>

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

From discontinued operations

Basic loss per share from discontinued operations was 0.4 HK cent per share for the six months ended 30th September, 2007, based on the loss for the six months ended 30th September, 2007 from discontinued operations attributable to the equity holders of the Company of HK\$16,894,000 and the denominators detailed above for both basic and diluted loss per share.

8. DEBTORS, DEPOSITS AND PREPAYMENTS

Included in debtors, deposits and prepayments are trade debtors of approximately HK\$11,643,000 (31st March, 2008: HK\$27,685,000).

The following is an aged analysis of trade debtors at the reporting date:

	30.9.2008	31.3.2008
	HK\$'000	HK\$'000
Trade debtors aged:		
0 – 60 days	663	16,977
61 – 90 days	336	124
Over 90 days	10,644	10,584
	<u>11,643</u>	<u>27,685</u>

9. CREDITORS, DEPOSITS AND ACCRUED CHARGES

Included in creditors, deposits and accrued charges are trade creditors of approximately HK\$3,137,000 (31st March, 2008: HK\$2,135,000).

The following is an aged analysis of trade creditors at the reporting date:

	30.9.2008 <i>HK\$'000</i>	31.3.2008 <i>HK\$'000</i>
Trade creditors aged:		
0 – 60 days	1,464	1,420
61 – 90 days	511	355
Over 90 days	1,162	360
	<hr/> 3,137 <hr/>	<hr/> 2,135 <hr/>

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend in respect of the six months ended 30th September, 2008 (six months ended 30th September, 2007: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group's gross proceeds for the six months ended 30th September, 2008 were approximately HK\$100.2 million, showing a reduction of HK\$214.2 million from the comparative figure of HK\$314.4 million mainly due to significant decrease in trading of securities during the period.

Income from loan financing amounted to HK\$11.8 million for the period, showing a decrease as compared with HK\$20.4 million in last period mainly due to the disposal of 20% effective interest in shareholder's loan to Grand Waldo Hotel in 2007.

Since Concordia (as defined below) in current period capitalised all its borrowing cost as part of the cost for its property development, the Group's interest income from the shareholder's loan to Concordia, which is included in other income, was eliminated on equity accounting for the results of Concordia. Correspondingly, the share of loss of Concordia as an associate also reduced as compared with last period.

The recent US financial turmoil has been hammering the world-wide economy in all aspects including the stock markets. The drastic and continuing price deterioration of listed securities caused the Group to record a loss on financial instruments of HK\$44.5 million, HK\$41.9 million of which represents unrealised loss due to drop in market price at period end, as compared with a net gain of HK\$57 million earned for the six months ended 30th September, 2007. As a result, the Group recorded a loss of HK\$118.8 million for the six months ended 30th September, 2008 showing a deterioration of HK\$9.1 million or 8.3% from the comparative figure.

Property Development and Investment

Macau:

Empresa De Fomento Industrial E Comercial Concórdia, S.A. (“**Concordia**”), in which the Group has an effective interest of 35.5%, is making good progress on the land parcels situated in Estrada de Seac Pai Van, Macau (“**Concordia Land**”). In November 2008, as part of the new fiscal procedure in Macau with an aim to improve the transparency of land concession, the management of Concordia attended a public hearing in Macau to present the new development plan of the Concordia Land which received a favorable response. All other preparatory works for the development are being actively taken out such that construction work can instantly be commenced once the governmental approval has been granted.

In May 2008, the Group further sold another residential unit and car parking space at Pearl on the Lough at a profit. The remaining portfolio of property inventory in Macau consists of 44 residential units at Zhu Kuan Mansion tastefully upgraded to a high standard, 15 residential units and 15 car parking spaces at Pearl on the Lough. The units will be launched for sale or lease once market conditions turn more favorable which are expected to be around the end of second quarter of 2009.

HK:

In September 2008, the Group acquired the entire interests in Keen Step Corporation Limited, a special purpose vehicle which has secured the purchase of over 90% property interests at No. 7 Moreton Terrace. Subsequent to the period end, in December 2008, the Group has further acquired the entire interest in Pine Cheer Limited, another special purpose vehicle which has secured the purchase of the whole block interests at Nos. 19 – 21 Shelter Street. The Group has been actively soliciting the purchase of neighboring property interests in Causeway Bay, one of the well off district in Hong Kong, targeting to attain land amalgamation to enhance the property value. The Group currently intends to redevelop these properties as service apartments and up-market food and beverage outlets or hotel (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 evacuated and are ready for demolition. The Group plans to develop the site into a ginza-style retails, food and beverage complex which aggregate re-developable gross floor area is approximately 30,000 sq. ft., which has been approved and completion is expected to be in early 2010.

During the current period, 1 unit at Talon Tower on Connaught Road West was sold at a profit. As at 30th September, 2008, there were 6 residential units and 1 commercial unit remained unsold.

PRC:

The title transfer of the parcel of land at Hengqin, Zhuhai, located right on the waterfront across from Cotai, Macua is still pending upon lifting of moratorium for land transfer within the Hengqin area imposed by local government. The site area is approximately 26,000 m² with plot ratio of 1.6 which permitted uses under prevailing town planning guidelines are commercial, residential, hotel and retail.

Golf and Leisure

The gross proceeds from the golf and leisure business during the six months ended 30th September, 2008 were HK\$16.4 million (six months ended 30th September, 2007: HK\$25 million) with a segmental loss of HK\$9.2 million (six months ended 30th September, 2007: HK\$10.7 million). The first half year is normally the low season for the Sun Valley Golf Resort in Sanya which results in the current period was further affected by a new competitor in the surrounding area and frequent unfavorable weather condition.

The enlarged hotel development plan of gross floor area of approximately 66,800 m² including 28 units of deluxe villas, 3 hotel buildings, a conference building, a resort facility building and a driving range within the Sun Valley Golf Resort (the “**Sanya Hotel Project**”) has been approved by the local government. Development works will start in due course.

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 villas development is progressing as scheduled which completion is expected in the first half of 2009.

Securities Investment

The dire financial tsunami and bearish sentiments overcast the global financial market and as a result, the Group’s securities investment activities have inevitably been affected significantly and adversely. During the six months ended 30th September, 2008, gross proceeds and segmental loss from securities investment were HK\$50.2 million (six months ended 30th September, 2007: HK\$261.1 million) and HK\$47.9 million (six months ended 30th September, 2007: a segmental profit of HK\$54.1 million) respectively. As at 30th September, 2008, the Group had available-for-sale investments and financial assets at fair value through profit or loss in an aggregate sum of HK\$227.8 million, mainly comprised shares listed in Hong Kong, Japan and Singapore.

FINANCIAL REVIEW

To further strengthen the Group’s capital base, the Company had completed the rights issue in August 2008, pursuant to which 9,286,554,078 new ordinary shares were issued at a subscription price of HK\$0.07 each on the basis of three rights shares for every share held. The net proceeds of approximately HK\$626.6 million were raised for general working capital.

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.

As at 30th September, 2008, total borrowings from financial institutions amounted to HK\$139.5 million, of which HK\$33.6 million was repayable after one year. The net gearing ratio of the Group, calculated with reference to the bank and other borrowings of HK\$139.5 million and the fair value of the liability component of convertible note payables of HK\$1,284.6 million, offsetting with the pledged bank deposits and the bank balances and cash of HK\$580.7 million, and the Group's shareholders' funds of HK\$2,352.1 million, was 0.36 as at 30th September, 2008, showing significant improvement from 0.6 as at 31st March, 2008.

About HK\$105.4 million of the borrowings from financial institutions were interest-bearing with variable rates while interest of the remaining loan balances was calculated on fixed rate. 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

The Group will continue 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. Based on the prevailing plan, it will take several years to develop the Concordia Land, the Causeway Bay Project, the Nathan Road Project and the Sanya Hotel Project and by the time of completion, it is anticipated that the Group can take full benefit in the next economy cycle up-swing. The Group is considering various tactics in these properties project including but not limited to joint development with some strategic partners in order to optimise the synergistic value. For other properties held for sale, after taking into account the existing market condition, the management considers that their carrying value is reasonable which may be sold when there are suitable opportunities.

The Group's investments are mostly located in Macau, Hong Kong and the PRC. In spite of their own strong financial fundamentals and various stimulus measures implemented by the central and local governments to alleviate the crisis, the economy of the Greater China region has inevitably been struck by the global financial tsunami. It is generally anticipated that this relentless financial crisis will be battering every business and geographic segment of the economy for some time, during which period the property and security markets will remain volatile and gloomy. The Group's investments, including properties and listed securities, may inexorably sustain considerable short-term devaluation. In view that all properties in its portfolio were acquired at reasonable costs with superb intrinsic value, the Group is optimistic in capturing future capital gains from these investments when the market recovers.

PLEDGE OF ASSETS

As at 30th September, 2008, the Group's general credit facilities granted by banks and financial institutions were secured by pledge of the Group's properties held for sale in an aggregate value of approximately HK\$223.5 million, bank balances of HK\$44.1 million, properties, plant and equipment of HK\$0.2 million and financial assets at fair value through profit or loss of approximately HK\$1.5 million.

NUMBER OF EMPLOYEES, REMUNERATION POLICIES AND SHARE OPTION SCHEME

As at 30th September, 2008, the number of employees of the Group was 1,001 (31st March 2008: 1,003). 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, share option scheme and retirement schemes.

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

During the six months ended 30th September, 2008, the Company had repurchased a total of 387,805,000 ordinary shares on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") at an aggregate consideration of HK\$17,417,765, representing an average price of approximately HK\$0.045 paid for each share repurchased. The highest and lowest prices per share paid for such repurchases were HK\$0.054 and HK\$0.037 respectively. All these shares were cancelled upon repurchase.

Save as disclosed above, 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, 2008.

SECURITIES IN ISSUE

On 5th August, 2008, the Company issued a total of 9,286,554,078 new ordinary shares at a subscription price of HK\$0.070 per share pursuant to the rights issue on the basis of three rights shares (with warrants in the proportion of four warrants for every fifteen rights shares subscribed) for every share held (the "**Rights Issue**"). As a term and condition of the Rights Issue, the Company issued a total of 2,476,414,420 warrants to the subscribers of the rights shares conferring the rights to the holders thereof to subscribe in cash for 2,476,414,420 warrant shares at an initial exercise price of HK\$0.105 per warrant share.

Referring to the announcement of the Company dated 1st August, 2008, as a result of the Rights Issue, the conversion price of both the zero coupon convertible notes due 2010 in the aggregate outstanding principal amount of HK\$471,050,000 issued by the Company on 11th August, 2005 and the zero coupon convertible notes due 2010 in the aggregate outstanding principal amount of HK\$17,476,177 issued by the Company on 8th June, 2006 has been adjusted from HK\$0.440 per share to HK\$0.227 per share while the conversion price of the 1% convertible notes due 2011 in the aggregate outstanding principal amount of HK\$906,000,000 issued by the Company on 15th June, 2006, has been adjusted from HK\$0.700 per share to HK\$0.361 per share, all of which took effect retroactively on 12th July, 2008.

With reference to the announcement of the Company dated 12th August, 2008, as a result of the Rights Issue, the exercise price of the outstanding share options granted by the Company pursuant to the share option scheme adopted on 26th August, 2002 (the "**Options**") has been adjusted from HK\$0.500 per share to HK\$0.315 per share for the Options granted on 15th August, 2006 and from HK\$0.670 per share to HK\$0.422 per share for the Options granted on 27th July, 2007. In addition, the aggregate of 25,300,000 outstanding Options granted by the Company on 15th August, 2006 exercisable during the exercisable period from 15th August, 2006 to 14th August, 2008 have been adjusted to 40,125,800 outstanding Options and

the aggregate of 61,700,000 outstanding Options granted by the Company on 27th July, 2007 exercisable during the exercisable periods from 27th July, 2008 and 27th July, 2009 to 26th July, 2011, as the case may be, have been adjusted to 97,856,200 outstanding Options. On 14th August, 2008, a total of the adjusted 40,125,800 Options at the adjusted exercise price of HK\$0.315 per share were lapsed on maturity. In addition, 1,500,000 Options at the exercise price of HK\$0.500 per share (before adjustment) and 2,000,000 Options at the exercise price of HK\$0.670 per share (before adjustment) and 1,665,300 Options at the adjusted exercise price of HK\$0.422 per share were lapsed upon resignation of a director of the Company and the relevant employees during the period.

As at 30th September, 2008, there were 11,994,267,104 ordinary shares in issue, a total of 96,190,900 Options at the adjusted exercise price of HK\$0.422 per share and 2,476,414,420 warrants remain outstanding.

Save as disclosed above, there was no movement in the issued share capital of the Company during the six months ended 30th September, 2008.

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 (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, 2008.

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 period ended 30th September, 2008, 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 set out in the Model Code during the six months ended 30th September, 2008.

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, 2008 will be despatched to the shareholders and, for information only, holders of warrants and convertible notes of the Company and 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, 19th December, 2008

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

Executive Directors:

Mr. Cheung Hon Kit (*Chairman*)
Mr. Chan Fut Yan (*Managing Director*)
Mr. Cheung Chi Kit
Mr. 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