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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

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.



德祥地產集團有限公司*

ITC PROPERTIES GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code : 199)

**(i) MAJOR AND CONNECTED TRANSACTION
IN RELATION TO THE
DISPOSAL OF 50% INTEREST IN
ITC PROPERTIES (CHINA) LIMITED;
AND
(ii) DISCLOSEABLE AND CONNECTED
TRANSACTION IN RELATION TO THE
PROVISION OF SHAREHOLDER'S LOAN**

**Independent financial adviser to the Independent Board Committee
and the Independent Shareholder**



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, 12th November, 2010 at 11:00 a.m. is set out on pages SGM-1 to SGM-2 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.

CONTENTS

| | <i>Page</i> |
|--------------------------------------------------------------|-------------|
| DEFINITIONS | 1 |
| LETTER FROM THE BOARD | |
| Introduction | 7 |
| The Agreement | 8 |
| The Shareholders' Agreement | 11 |
| Information on the ITCP (China) Group | 13 |
| Structure of the ITCP (China) Group | 15 |
| Reasons for the Disposal | 18 |
| Financial effects of the Disposal | 18 |
| Financial and trading prospects of the Remaining Group | 19 |
| Listing Rules implications | 20 |
| SGM | 20 |
| Recommendation | 21 |
| General information | 21 |
| LETTER FROM THE INDEPENDENT BOARD COMMITTEE | 22 |
| LETTER OF ADVICE FROM FIRST SHANGHAI | 24 |
| APPENDIX I – FINANCIAL INFORMATION OF THE GROUP | I-1 |
| APPENDIX II – VALUATION REPORT ON THE LAND | II-1 |
| APPENDIX III – GENERAL INFORMATION | III-1 |
| NOTICE OF THE SGM | SGM-1 |

DEFINITIONS

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

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| “Acquisition Agreements” | collectively, (i) the agreement dated 15th December, 2009 entered into between ITCP (China) and Bright Sino Profits Limited in relation to the acquisition of 92% of the issued share capital of Newskill and (if any) the corresponding shareholders’ loans; and (ii) the agreement dated 15th December, 2009 entered into between ITCP (China) and Cango Trading Limited, an indirect wholly-owned subsidiary of Hanny, in relation to the acquisition of 8% of the issued share capital of Newskill and (if any) the corresponding shareholders’ loans |
| “Acquisition Consideration” | the aggregate cash consideration in the amount of HK\$960 million payable by ITCP (China) to the vendors pursuant to the Acquisition Agreements |
| “Agreement” | the agreement dated 29th September, 2010 entered into among the Vendor, the Company, the Purchaser and Hanny in relation to the sale and purchase of the Sale Shares and the Sale Loan |
| “associate(s)” | has the same meaning ascribed thereto under the Listing Rules |
| “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 the banks in Hong Kong are generally open for business |
| “BVI” | the British Virgin Islands |
| “Company” | ITC Properties Group Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange (Stock Code : 199) |
| “Completion” | completion of the Agreement |

DEFINITIONS

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| “Completion Accounts” | the unaudited consolidated profit and loss account of the ITCP (China) Group for the period from its date of incorporation to the Completion Date and the unaudited consolidated balance sheet of the ITCP (China) Group as at the Completion Date to be prepared in accordance with the Hong Kong Financial Reporting Standards |
| “Completion Date” | the date on which Completion takes place |
| “connected person(s)” | has the same meaning ascribed thereto under the Listing Rules |
| “Consideration” | the aggregate consideration for the Sale Shares and the Sale Loan pursuant to the terms of the Agreement |
| “Cooperation Agreement” | a cooperation agreement relating to the Project Company entered into between Guangzhou Metro and Keep Mount (Holdings) Limited (協望(集團)有限公司) dated 18th August, 1993 as supplemented by (i) a supplemental agreement entered into between Keep Mount (Holdings) Limited (協望(集團)有限公司), Joyful Honour and Guangzhou Metro dated 2nd March, 1998; (ii) a supplemental agreement relating to the Project Company (合作經營廣州捷榮房地產開發有限公司合同的補充合同) entered into between Joyful Honour and Guangzhou Metro dated 9th June, 2006; (iii) a supplemental agreement entered into between Joyful Honour and Guangzhou Metro dated 22nd September, 2006; (iv) a supplemental agreement entered into between Guangzhou Metro and Joyful Honour dated 30th January, 2007; (v) a supplemental agreement entered into between Joyful Honour and Guangzhou Metro dated 28th September, 2009; and (vi) a supplemental articles of association of the Project Company signed by Joyful Honour and Guangzhou Metro dated 28th September, 2009 |
| “Demolition and Resettlement” | demolition of all structures on the Land and resettlement of all occupiers (拆遷安置) thereon in compliance with Permit for Demolition and Removal Chai Xu Zi (2006) No. 27 (拆許字(2006)第27號《房屋拆遷許可證》) and the relevant laws and regulations and requirements of all relevant PRC authorities and all contractual obligations of the Project Company |

DEFINITIONS

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| “Director(s)” | director(s) of the Company |
| “Disposal” | the disposal of the Sale Shares and the Sale Loan by the Vendor to the Purchaser pursuant to the terms and conditions of the Agreement |
| “First Shanghai” | First Shanghai Capital Limited, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Agreement and the Shareholders’ Agreement |
| “Group” | the Company and its subsidiaries |
| “Guangzhou Metro” | 廣州市地下鐵道總公司 (Guangzhou Metro Corporation) |
| “Hanny” | Hanny Holdings Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (Stock Code : 275) |
| “Hanny Group” | Hanny and its subsidiaries |
| “Hanny Land” | the parcel of land held by the Hanny Group located at the junction of 中山五路 (Zhongshanwu Road) and 吉祥路 (Jixiang Road) in 越秀區 (Yuexiu District), Guangzhou, the PRC |
| “Hong Kong” or “HK” | the Hong Kong Special Administrative Region of the PRC |
| “Independent Board Committee” | independent committee of the board of Directors, comprising Hon. Shek Lai Him, Abraham, SBS, JP and Mr. Wong Chi Keung, Alvin, both being independent non-executive Directors |
| “Independent Shareholders” | Shareholders other than Hanny and its associates |
| “ITCP (China)” | ITC Properties (China) Limited (formerly known as Macau Prime Property (China) Limited), a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Vendor prior to Completion |
| “ITCP (China) Group” | ITCP (China) and its subsidiaries upon completion of the Acquisition Agreements |

DEFINITIONS

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|--------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “Joyful Honour” | Joyful Honour Investment Limited, a company incorporated in Hong Kong with limited liability |
| “Land” | the parcel of land situated at the junction of 中山五路 (Zhongshan Wu Road) and 教育路 (Education Road) in 越秀區 (Yuexiu District), Guangzhou, the PRC, which is owned by the Project Company |
| “Latest Practicable Date” | 22nd October, 2010, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Long Stop Date” | the date falling 180 calendar days after the date of the Agreement or such other date as the parties to the Agreement may agree in writing |
| “Macau” | the Macau Special Administrative Region of the PRC |
| “Newskill” | Newskill Investments Limited, a company incorporated in the BVI with limited liability |
| “Newskill Group” | Newskill and its subsidiaries |
| “PRC” | The People’s Republic of China, excluding Hong Kong, Macau and Taiwan for the purpose of this circular |
| “Project Company” | 廣州捷榮房地產開發有限公司 (Guangzhou Jierong Real Estate Development Co., Ltd.), a company incorporated in the PRC with limited liability |
| “Property Development Project” | the property development project named “JY-1 Project” to be carried out by the Project Company on the Land |
| “Purchaser” | Vigorous World Limited, a company incorporated in the BVI with limited liability and an indirect wholly-owned subsidiary of Hanny |
| “Remaining Group” | the Company and its subsidiaries immediately upon Completion |

DEFINITIONS

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| “Sale Loan” | 50% of all the amounts which may be owing by ITCP (China) to the Vendor as at Completion |
| “Sale Shares” | fifty (50) shares of US\$1 each in the capital of ITCP (China), representing 50% of the issued share capital of ITCP (China) as at the date of the Agreement and on Completion |
| “SFO” | 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 for the Independent Shareholders to consider and, if thought fit, approve the Agreement, the Shareholders’ Agreement and the transactions contemplated respectively thereunder |
| “Share(s)” | ordinary share(s) of HK\$0.01 each in the capital of the Company |
| “Shareholder(s)” | holder(s) of the Share(s) |
| “Shareholder’s Loan” | the shareholder’s loan which may be advanced by the Vendor to ITCP (China) up to the maximum amount of HK\$150 million pursuant to the Shareholders’ Agreement |
| “Shareholders’ Agreement” | the shareholders’ agreement to be entered into among the Purchaser, the Vendor and ITCP (China) on Completion in respect of the affairs of (including, without limitation, its operations, management and business), and the rights and obligations of the Vendor and the Purchaser with respect to their interests in, the ITCP (China) Group after Completion |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Vendor” | ITC Properties Holdings Group Limited, a company incorporated in the BVI with limited liability and a direct wholly-owned subsidiary of the Company |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “RMB” | Renminbi, the lawful currency of the PRC |

DEFINITIONS

| | |
|-------------------------------|----------------------------------------------------------------------------|
| “US\$” | United States dollars, the lawful currency of the United States of America |
| “m ² ” or “sq. m.” | square meter(s) |
| “%” | per cent. |

In this circular, save as otherwise provided, amounts in RMB are translated into HK\$ on the basis of HK\$1 = RMB0.8815. The translation rate is for illustration purpose only and should not be taken as a representation that RMB could actually be converted into HK\$ at that rate or at all.

For ease of reference, the names of companies and entities established in the PRC have been included in this circular in both Chinese and English languages and the English names of these companies and entities are either English translation of their respective official Chinese names or English tradenames used by them. In the event of any inconsistency between the English names and their respective official Chinese names, the Chinese names shall prevail.

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

Registered office:

Clarendon House
Church Street
Hamilton HM 11
Bermuda

Non-executive Director:

Mr. Ma Chi Kong, Karl

Principal place of business in Hong Kong:

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

Independent non-executive Directors:

Hon. Shek Lai Him, Abraham, SBS, JP (*Vice Chairman*)
Mr. Wong Chi Keung, Alvin
Mr. Kwok Ka Lap, Alva

27th October, 2010

*To the Shareholders and, for information only,
the holders of convertible notes of the Company*

Dear Sir or Madam,

**(i) MAJOR AND CONNECTED TRANSACTION
IN RELATION TO THE
DISPOSAL OF 50% INTEREST IN
ITC PROPERTIES (CHINA) LIMITED;
AND
(ii) DISCLOSEABLE AND CONNECTED
TRANSACTION IN RELATION TO THE
PROVISION OF SHAREHOLDER'S LOAN**

INTRODUCTION

On 6th October, 2010, the Company announced that on 29th September, 2010, the Vendor (a direct wholly-owned subsidiary of the Company), the Purchaser (an indirect wholly-owned subsidiary of Hanny), the Company and Hanny entered into the Agreement, pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Shares and the Sale Loan at an aggregate consideration of HK\$480 million.

* For identification purpose only

LETTER FROM THE BOARD

On Completion, the Vendor, the Purchaser and ITCP (China) shall enter into the Shareholders' Agreement in respect of the affairs of, and the rights and obligations of the Vendor and the Purchaser in, ITCP (China) after Completion, under which each of the Vendor and the Purchaser shall undertake to provide shareholder's loan up to the amount of HK\$150 million to finance the Property Development Project and the operating expenses of the ITCP (China) Group.

The Disposal constitutes a major and connected transaction for the Company by virtue of the substantial shareholding of Hanny in the Company, while the provision of the Shareholder's Loan constitutes a discloseable and connected transaction for the Company under Chapters 14 and 14A of the Listing Rules. The Agreement, the Shareholders' Agreement and the transactions contemplated respectively thereunder are therefore subject to the approval of the Independent Shareholders by way of poll.

The purpose of this circular is to provide you with, among other things, (i) details of the Agreement; (ii) details of the Shareholders' Agreement; (iii) the valuation report on the Land; (iv) certain financial and other information of the Group; (v) a letter of advice from First Shanghai to the Independent Board Committee and the Independent Shareholders on the terms of the Agreement and the Shareholders' Agreement; (vi) the recommendation from the Independent Board Committee to the Independent Shareholders; (vii) the notice of the SGM together with the proxy form; and (viii) other information as required under the Listing Rules.

THE AGREEMENT

Date: 29th September, 2010

Parties:

- (i) Vendor: ITC Properties Holdings Group Limited, being the vendor of the Sale Shares and the Sale Loan, is a wholly-owned subsidiary of the Company. The principal activity of the Vendor is investment holding;
- (ii) Purchaser: Vigorous World Limited, being the purchaser of the Sale Shares and the Sale Loan, is an indirect wholly-owned subsidiary of Hanny and an investment holding company;
- (iii) Vendor's guarantor: the Company, as the guarantor to guarantee the obligations and liabilities of the Vendor under the Agreement; and
- (iv) Purchaser's guarantor: Hanny, as the guarantor to guarantee the obligations and liabilities of the Purchaser under the Agreement.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Hanny was indirectly interested in (a) 76,402,763 Shares, representing approximately 13.52% of the total issued Shares as at the Latest Practicable Date and is therefore a connected person of the Company; and (b) convertible notes of the Company in the principal

LETTER FROM THE BOARD

amount of HK\$270,000,000 as at the Latest Practicable Date which are convertible into Shares at the adjusted conversion price of HK\$8.904 per Share. Hanny is an investment holding company and the Hanny Group is principally engaged in trading of securities, holding of vessels for sand mining, industrial water supply business, property development and trading and other strategic investments including an associated company whose shares are traded on the OTC Securities Market in the United States of America and convertible notes issued by companies whose shares are listed on the Stock Exchange.

Assets to be disposed of:

The assets to be disposed of comprise (i) the Sale Shares, being fifty (50) shares of US\$1 each in the issued share capital of ITCP (China), representing 50% of the issued share capital of ITCP (China) as at the date of the Agreement and on Completion; and (ii) the Sale Loan. The amount of the shareholder's loan owing by ITCP (China) to the Vendor as at the date of the Agreement and the Latest Practicable Date were approximately HK\$365 million.

Consideration:

The aggregate consideration for the Sale Shares and the Sale Loan is HK\$480 million (subject to downward adjustment(s) as described below) which shall be apportioned as follows:

- (i) the portion of the Consideration attributable to the Sale Loan shall be equal to the face value of the Sale Loan on a dollar-for-dollar basis on the assumption that the Acquisition Consideration has been fully paid by ITCP (China) prior to Completion; and
- (ii) the remaining balance of the Consideration shall be attributable to the Sale Shares.

The Vendor and the Purchaser shall jointly procure that the Completion Accounts be issued within three months after the Completion Date. If the Purchaser so requires not later than two months after the issue thereof, the Vendor and the Purchaser shall, at the cost of ITCP (China), jointly appoint a firm of certified public accountants to audit the Completion Accounts.

The Consideration shall be adjusted downwards as described below. If the amount of the liabilities (other than the Sale Loan) appearing in the audited Completion Accounts exceeds the amount disclosed in the Completion Accounts, the Vendor shall repay to the Purchaser 50% of the amount of such excess. If the aforesaid excess is more than HK\$1 million, apart from repaying the Purchaser 50% of the amount of such excess, the Vendor shall also reimburse the Purchaser the audit expenses incurred by the Purchaser.

The Consideration has been/shall be paid by the Purchaser in cash in the following manner:

- (i) a deposit of HK\$350 million (the "Deposit") has been paid upon signing of the Agreement; and
- (ii) the balance of the Consideration shall be paid upon Completion.

LETTER FROM THE BOARD

The Consideration was determined after arm's length negotiations between the Vendor and the Purchaser with reference to, among other things, the Acquisition Consideration of HK\$960 million for the acquisition of the entire interest in Newskill under the Acquisition Agreements. As set out in the announcement and circular of the Company dated 23rd December, 2009 and 31st May, 2010 respectively, the Acquisition Consideration was determined after arm's length negotiations between ITCP (China) and the vendors under the Acquisition Agreements with reference to, among other things, the unaudited net deficit of the Newskill Group of approximately HK\$44.9 million as at 30th September, 2009, the valuation of the Property Development Project of RMB1,100 million (equivalent to approximately HK\$1,247.9 million) at its existing state as at 24th July, 2009 conducted by an independent professional valuer as well as the future prospects of the Property Development Project. As the valuation of the Land at its existing state as at 31st August, 2010 conducted by the independent professional valuer remained at RMB1,100 million (equivalent to approximately HK\$1,247.9 million) and there has been no significant change in the financial position of the Newskill Group since 30th September, 2009, the Directors consider the Acquisition Consideration is a fair and reasonable basis for determining the Consideration and that the Consideration is fair and reasonable and the Agreement is on normal commercial terms.

Conditions precedent:

Completion of the Agreement is conditional on:

- (i) the warranties given by the Vendor in the Agreement remaining true and accurate and not misleading in any material respect as at Completion and at all times between the date of the Agreement and the Completion Date;
- (ii) the delivery by the Vendor to the Purchaser of a legal opinion issued by a BVI law firm acceptable to the Purchaser and addressed to the Purchaser regarding, inter alia, due execution of the Agreement by the Vendor and the validity and enforceability thereof on the Vendor, together with a certificate of good standing and a certificate of incumbency of ITCP (China), all of which to be dated not more than ten (10) Business Days prior to Completion Date;
- (iii) the approval by the Independent Shareholders of the Agreement, the Shareholders' Agreement and the transactions contemplated respectively thereunder at a general meeting of the Company in compliance with the requirements of the Listing Rules;
- (iv) the approval by the shareholders of Hanny of the Agreement, the Shareholders' Agreement and the transactions contemplated respectively thereunder at a general meeting of Hanny in compliance with the requirements of the Listing Rules;
- (v) the Acquisition Agreements having been completed such that ITCP (China) has acquired the entire issued share capital of and (if any) the shareholders' loans due by Newskill;

LETTER FROM THE BOARD

- (vi) the compliance by the Vendor and/or the Company of any other requirements under the Listing Rules or otherwise of the Stock Exchange or other regulatory authorities which require compliance at any time prior to Completion in relation to the transactions contemplated under the Agreement;
- (vii) the compliance by the Purchaser and/or Hanny of any other requirements under the Listing Rules or otherwise of the Stock Exchange or other regulatory authorities which require compliance at any time prior to Completion in relation to the transactions contemplated under the Agreement; and
- (viii) no event or circumstances having occurred which has, had, or would reasonably be expected to have, a material adverse effect on the ITCP (China) Group taken as a whole.

The Purchaser may in its absolute discretion at any time waive the above conditions (i), (ii) and (viii) by notice in writing to the Vendor. Neither the Vendor nor the Purchaser may waive any of the above conditions (iii), (iv), (vi) and (vii). The condition (v) may only be waived by an agreement between the Vendor and the Purchaser. If the above conditions are not fulfilled or waived (as the case may be) on or before the Long Stop Date and/or the above conditions (i) and (viii) do not remain fulfilled (and are not waived by the Purchaser) on the Completion Date, the rights and obligations of the parties under the Agreement shall lapse and be of no further effect except for antecedent breach. In such event, the Vendor shall refund to the Purchaser the Deposit forthwith without any interest.

Completion

Completion shall take place on the third Business Day after all the conditions precedent having been fulfilled or, as the case may be, being properly waived, or such other date as the Vendor and the Purchaser may mutually agree in writing. If after fulfilment or waiver (as the case may be) of the above conditions, Completion does not take place due to the default of the Purchaser, the Vendor shall be entitled to forfeit HK\$20 million of the Deposit as full and final settlement of all claims by the Vendor in connection with the Agreement whatsoever and refund the balance of the Deposit to the Purchaser within seven (7) Business Days without interest. If the defaulting party is the Vendor, the Vendor shall within seven (7) Business Days refund to the Purchaser the Deposit together with an additional amount of HK\$20 million as full and final settlement of all claims by the Purchaser in connection with the Agreement whatsoever.

THE SHAREHOLDERS' AGREEMENT

On Completion, the Vendor, the Purchaser and ITCP (China) shall enter into the Shareholders' Agreement in respect of the affairs of (including, without limitation, its operations, management and business), and the rights and obligations of the Vendor and the

LETTER FROM THE BOARD

Purchaser with respect to their interests in, ITCP (China) after Completion. The principal terms of the Shareholders' Agreement are set out below:

Board composition : Each of the board of ITCP (China), Newskill and Joyful Honour shall consist of a maximum of six (6) directors, with each of the Purchaser and the Vendor having the right to nominate and appoint up to three (3) directors thereof. Chairman of the board of each of ITCP (China), Newskill and Joyful Honour shall be elected by majority votes of the directors present at the relevant meeting. For the Project Company, there shall be a maximum of seven (7) directors of which each of the Purchaser and the Vendor has the right to nominate and appoint up to three (3) directors while the remaining director shall be the general manager of the Project Company to be agreed between the Purchaser and the Vendor.

Dividend policy : All profits of the ITCP (China) Group available for distribution (after provision for taxation, discharge of outstanding debts due to the banks and financial institutions and shareholders' loans) shall be distributed to its shareholders by way of dividends.

Shareholders' loan : The Vendor and the Purchaser shall, and shall procure the ITCP (China) Group to, use all reasonable endeavours to obtain financing from the banks or financial institutions to finance the Property Development Project and for operating expenses of the ITCP (China) Group on such terms as its board may determine.

In the event that external financing is not available or insufficient for such purposes, each of the Purchaser and the Vendor undertakes to provide further shareholders' loans to ITCP (China) up to a maximum amount of HK\$150 million within three years from the date of the Shareholders' Agreement at such time(s) as the board of ITCP (China) may from time to time resolve. All shareholders' loan(s) shall be unsecured, carry interest at the prime rate for Hong Kong dollar loans as quoted by The Hongkong and Shanghai Banking Corporation Limited from time to time and have no fixed repayment date and neither the Purchaser nor the Vendor shall demand repayment unless approved by the board of ITCP (China).

Right of first refusal and tag along right : If a shareholder wishes to dispose of its interest in ITCP (China) to a third party, all other shareholders are entitled to a right of first refusal to purchase all (but not part only) of the shares in and loans to ITCP (China) which the transferring shareholder intends to dispose at the same price and material terms.

LETTER FROM THE BOARD

Alternatively, the non-transferring shareholders are entitled to a tag along right whereby they may require the prospective purchaser to purchase all (but not part only) of their shares in and shareholders' loan due by ITCP (China) on the same terms.

Both the right of first refusal and tag along right are exercisable within a period of fourteen (14) days from the receipt of the transfer notice from the transferring shareholder.

- Project management : The shareholders shall procure the ITCP (China) Group to appoint a subsidiary of Hanny as the project manager for the Property Development Project, which appointment shall be on terms comparable to those prevailing in the market and set out in a service agreement to be entered into by such parties.
- Termination : The Shareholders' Agreement shall continue in full force and effect until the entire issued share capital of ITCP (China) shall be owned by one shareholder.

INFORMATION ON THE ITCP (CHINA) GROUP

ITCP (China) is an investment holding company. Its principal asset would be the entire issued share capital of Newskill upon completion of the Acquisition Agreements.

The principal activity of Newskill is investment holding and its sole asset is the investment in the entire issued share capital of Joyful Honour. Joyful Honour is a joint venture partner of the Project Company with Guangzhou Metro, which is a large-scale state-owned enterprise under Guangzhou government and is principally engaged in the operation and management of Guangzhou city track traffic system. As disclosed in the circular of the Company dated 31st May, 2010, the Cooperation Agreement did not provide for the percentage interests of the joint venture partners in the Project Company but provided that upon completion of the Property Development Project on the Land, Guangzhou Metro would be entitled to a gross floor area of 1,420 m² of the developed property (the "Entitlement"), and that in view of the Entitlement, it is one of the conditions precedent to the Acquisition Agreements that Guangzhou Metro will provide a confirmation to the satisfaction of ITCP (China) that (i) it has received full payment pursuant to the Cooperation Agreement; (ii) it has no claims against any company in the Newskill Group whatsoever; (iii) it would (at such time appointed by Joyful Honour) transfer its interest in the Project Company to Joyful Honour or a company nominated by Joyful Honour and direct the director(s) nominated by it in the Project Company to resign from his (their) directorship(s); and (iv) it no longer has any interest in the Land and the building to be erected thereon (collectively the "Guangzhou Metro Condition").

Up to the Latest Practicable Date, all conditions precedent set out in the Acquisition Agreements have been fulfilled except for the Guangzhou Metro Condition. Based on the discussion with the vendors under the Acquisition Agreements, there is good progress in the negotiations with Guangzhou Metro and it is expected that the Guangzhou Metro Condition will be fulfilled before the end of November 2010.

LETTER FROM THE BOARD

Set out below is the unaudited financial information of ITCP (China) for the two years ended 31st March, 2009 and 31st March, 2010 respectively, prepared in accordance with the Hong Kong Financial Reporting Standards:

| | For the year ended | |
|----------------------|---------------------------|-----------------|
| | 31st March, | |
| | 2010 | 2009 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Turnover | – | – |
| Loss before taxation | (339) | (5) |
| Loss after taxation | (339) | (5) |

The unaudited net liabilities of ITCP (China) as at 31st August, 2010 amounted to approximately HK\$3.9 million.

Set out below is the audited consolidated financial information of the Newskill Group for the two years ended 31st December, 2008 and 31st December, 2009 respectively, prepared in accordance with the Hong Kong Financial Reporting Standards:

| | For the year ended | |
|------------------------|---------------------------|-----------------|
| | 31st December, | |
| | 2009 | 2008 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Turnover | – | – |
| Profit before taxation | 2,597 | 1,670 |
| Profit after taxation | 2,597 | 1,670 |

The unaudited consolidated net asset value of the Newskill Group as at 30th June, 2010 amounted to approximately HK\$41.3 million.

Based on the unaudited management accounts of ITCP (China) and the Newskill Group as at 30th June, 2010, the unaudited book value of the subject matters of the Disposal, which shall comprise mainly (i) the net liabilities of ITCP (China) which was approximately HK\$3.9 million as disclosed above; (ii) the net assets of the Newskill Group to be acquired by ITCP (China) pursuant to the Acquisition Agreements which would be recognised by ITCP (China) at their fair values that shall be equal to the Acquisition Consideration; and (iii) the amounts which may be owing by ITCP (China) to the Vendor upon Completion which in aggregate shall largely be the same as the Acquisition Consideration, amounted to a deficit of approximately HK\$3.9 million as at 30th June, 2010. Upon the consolidation of the Newskill Group into ITCP (China) on completion of the Acquisition Agreements, the value of the net assets of the Newskill Group will be set off with the aggregate amount owed by ITCP (China) to the Vendor. Therefore, the deficit of approximately HK\$ 3.9 million is mainly attributable to the unaudited net liabilities of ITCP (China).

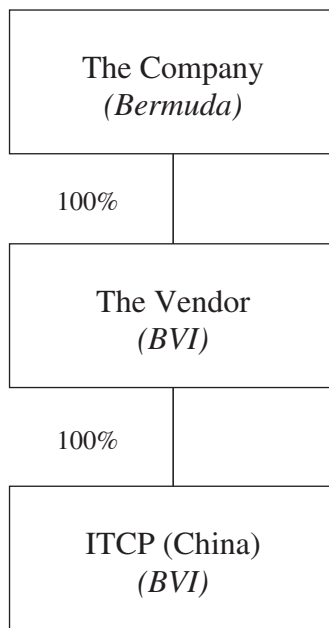
LETTER FROM THE BOARD

Upon Completion, ITCP (China) will cease to be a subsidiary of the Company and become a jointly controlled entity of each of the Company and Hanny. Accordingly, the Company will equity account for the results of the ITCP (China) Group after Completion.

STRUCTURE OF THE ITCP (CHINA) GROUP

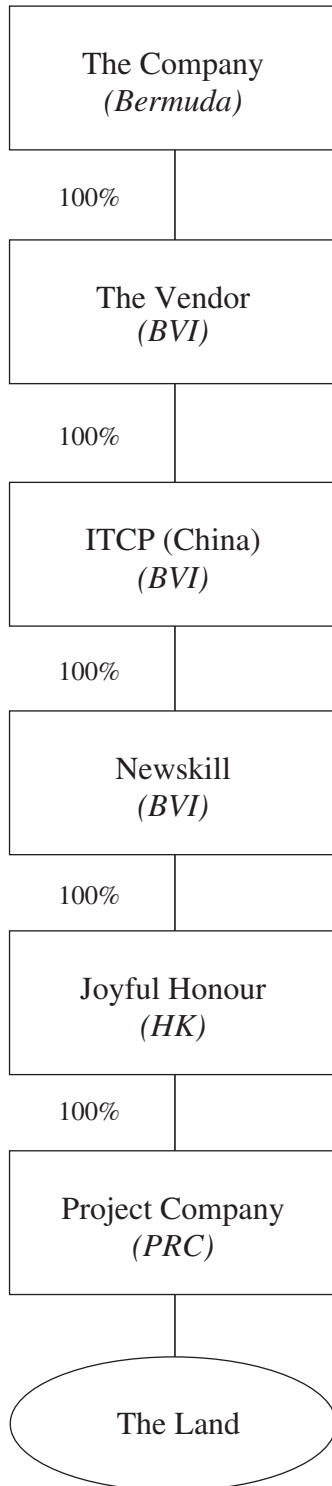
The following charts illustrate the structure of the ITCP (China) Group (i) as at the Latest Practicable Date; (ii) immediately after completion of the Acquisition Agreements but before Completion; and (iii) immediately after Completion:

(i) As at the Latest Practicable Date



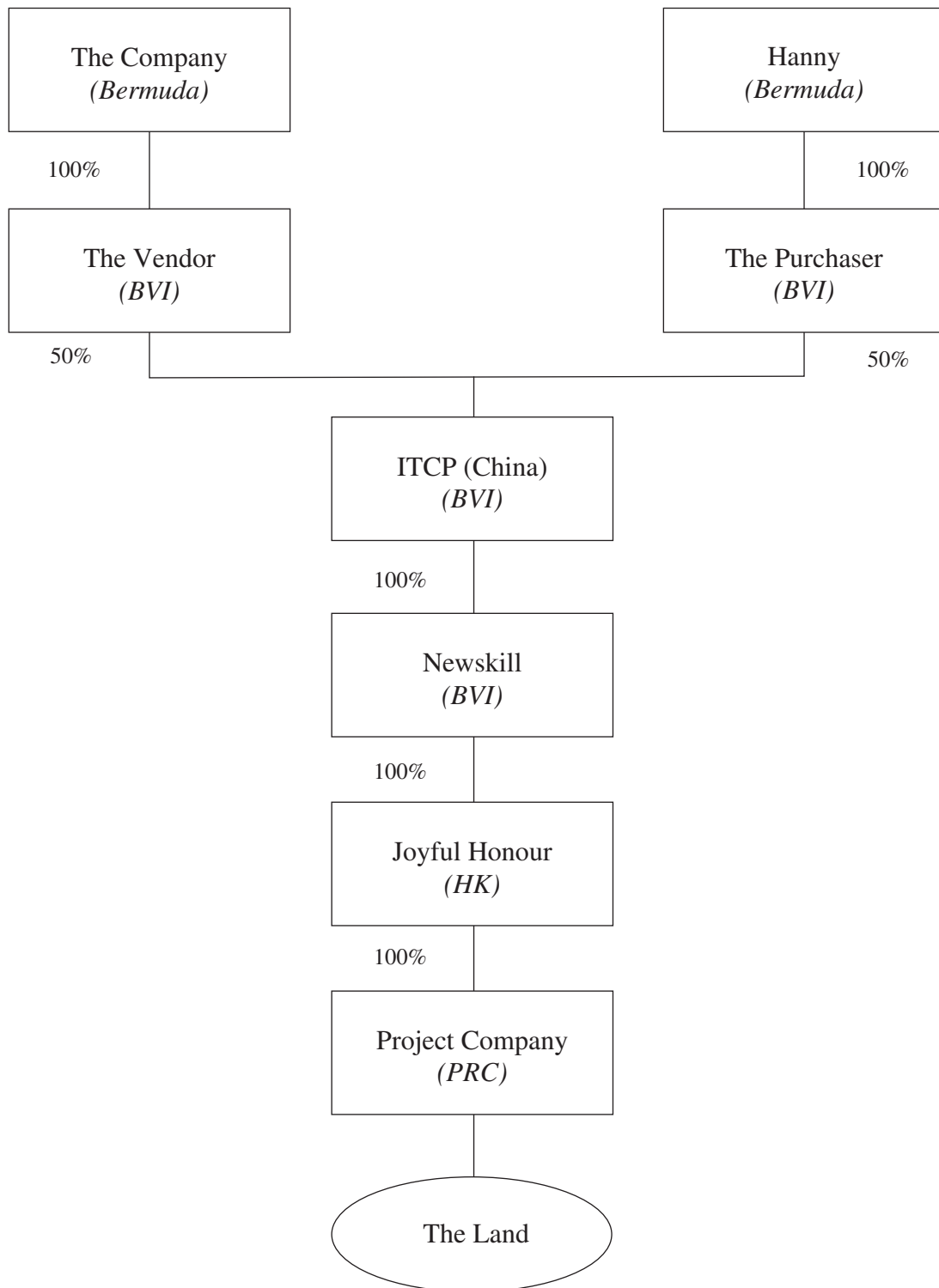
LETTER FROM THE BOARD

(ii) Immediately after completion of the Acquisition Agreements but before Completion



LETTER FROM THE BOARD

(iii) Immediately after Completion



Note: Places in parentheses represent places of incorporation.

LETTER FROM THE BOARD

REASONS FOR THE DISPOSAL

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 loan financing services.

As mentioned in the announcement of the Company dated 23rd December, 2009, it is the intention of the Group to develop the Land into a high-class shopping arcade with 4 basement floors and 7-storeys above ground with gross floor area of about 64,514 m². The Property Development Project is expected to comprise shops, food and beverage outlets, cinema and carpark with passageways directly connecting to the Gongyuanqian Subway Station, one of the busiest interchange stations in Guangzhou City, Guangdong Province, the PRC. Based on the latest progress including the Demolition and Resettlement, construction may commence in mid-2011 with construction period of approximately three years.

As at the Latest Practicable Date, the Hanny Group was interested in another parcel of land located in the neighbourhood of the Land, details of which were set out in the circulars of Hanny dated 25th September, 2009 and 11th August, 2010. A residential, commercial and financial complex is planned to be developed on the Hanny Land and is expected to be completed by the end of 2011.

The Shareholders' Agreement provides that, among other things, a subsidiary of Hanny will be engaged as the project manager for the Property Development Project. Accordingly, the Hanny Group will take lead in the overall development of the Land and the Hanny Land. It is currently expected that the properties to be developed on the Land and the Hanny Land would be linked up with passageways to enhance accessibility and traffic flow. The Directors are of the view that the development potential and therefore the capital value of both the Land and the Hanny Land would be maximized if they are developed under one project manager. The Disposal reduces the Group's commitment towards the Property Development Project and yet allows the Company to retain a joint control over the Property Development Project.

Based on the above, the Directors are of the view that the terms of the Agreement and the Shareholders' Agreement (including the provision of the Shareholder's Loan) are fair and reasonable and the Disposal and the provision of the Shareholder's Loan are in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECTS OF THE DISPOSAL

Earnings

Based on the unaudited financial information of the ITCP (China) Group as at 30th June, 2010 and assuming completion of the Acquisition Agreements, a loss of approximately HK\$1 million is expected to arise from the Disposal for the Group, which is calculated with reference to the net proceeds from the Consideration of approximately HK\$477 million less the carrying value attributable to the Sale Shares and the Sale Loan as at 30th June, 2010, after accounting for the Disposal costs associated with the implementation of the Disposal. Shareholders and

LETTER FROM THE BOARD

investors should note that the exact financial effects of the Disposal on the Group is subject to the audit and is yet to be determined with reference to the fair value attributable to the Sale Shares and the Sale Loan as at the Completion Date.

Assets and liabilities

Immediately after Completion, the effective shareholding of the Company in ITCP (China) will be reduced from 100% to 50% and thus ITCP (China) will cease to be a subsidiary of the Company and become a jointly controlled entity of each of the Company and Hanny. Accordingly, the Company will equity account for the net assets and the results of the ITCP (China) Group after Completion, and as such, there shall be no material impact on the net asset position of the Group as the net asset value attributable to the Sale Shares and the Sale Loan to be disposed of by the Group will be largely replenished by the net proceeds of approximately HK\$477 million from the Disposal.

The net proceeds receivable by the Company from the Disposal, after deducting the related expenses, are estimated to be approximately HK\$477 million. The Company intends to apply such net proceeds for refinancing completion of the Acquisition Agreements and as the Group's general working capital.

FINANCIAL AND TRADING PROSPECTS OF THE REMAINING GROUP

Upon Completion, the Remaining Group will continue to be engaged in the business of property development and investment in Macau, the PRC and Hong Kong, golf resort and leisure operations, securities investment and loan financing services. For its property development and investment business, the Group expected that a number of property projects under its portfolio, including further phases of a residential property development project named "One Oasis" in Cotai South, Macau; a project involving a deluxe high rise residential tower and serviced apartment tower in Causeway Bay, Hong Kong; a project involving a Ginza-style retail, food and beverage complex on Nathan Road, Kowloon, Hong Kong; a project involving development and operations of golf and hotel related business within the Golf Resort in Sanya, the PRC; and phase 1 of a project involving a hot spring and resort in Guiyang City, the PRC, will be completed over the coming years. Upon completion of the aforesaid projects, it is expected that the Remaining Group may ride on the next economic cycle upswing.

For other properties held for sale, the Group has been taking steps to cash in the investments. The Group will continue with this investment strategy to search for quality properties by taking a prudent approach with primary focus on enhancing the synergistic value of its existing portfolio.

The Company considers that despite the recently released regulatory measures, including the tightening of real-estate financing adopted by the PRC government as efforts to cool down the soaring housing prices, it is expected that, being one of the fastest growing economies in the world, property demand in the PRC will continue to grow in the long run. Investors, as a whole, prefer property as their core investments due to the record low interest rates, low public confidence in the financial products as well as early signs of economic recovery worldwide. Coupled with the fact that there will only be limited supply of new properties in the prime

LETTER FROM THE BOARD

locations in Hong Kong and Macau in the foreseeable future, the Remaining Group is in an advantageous position to bring into value for its shareholders. Barring unforeseen circumstances, the Company is confident in capturing future capital gains from its investment portfolio.

LISTING RULES IMPLICATIONS

The Disposal constitutes a major transaction for the Company under Chapter 14 of the Listing Rules. As at the Latest Practicable Date, Hanny was indirectly interested in 76,402,763 Shares, representing approximately 13.52% of the issued share capital of the Company. As the Purchaser is an indirect wholly-owned subsidiary of Hanny, the Purchaser is a connected person of the Company pursuant to the Listing Rules and the Disposal also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. The provision of the Shareholder's Loan under the Shareholders' Agreement constitutes a discloseable and connected transaction for the Company under Chapters 14 and 14A of the Listing Rules. Accordingly, the Agreement, the Shareholders' Agreement and the transactions contemplated respectively thereunder are subject to the approval of the Independent Shareholders at the SGM by way of poll. Hanny and its associates shall abstain from voting on the proposed ordinary resolution to approve the Agreement, the Shareholders' Agreement and the transactions contemplated respectively thereunder (including the provision of the Shareholder's Loan) at the SGM.

No Director has a material interest in the Disposal or the provision of the Shareholder's Loan and is therefore required to abstain from voting on the board resolutions approving the Agreement and the Shareholders' Agreement. However, Mr. Kwok Ka Lap, Alva, an independent non-executive Director, has abstained from voting on the board resolutions in view of his independent non-executive directorship in Hanny.

The Independent Board Committee has been constituted by the Company to give a recommendation to the Independent Shareholders on the terms of the Agreement, the Shareholders' Agreement and the transactions contemplated respectively thereunder, and First Shanghai has been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

SGM

The SGM, the notice of which is set out on pages SGM-1 to SGM-2 of this circular, will be held at Shop B27, Basement, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong, on Friday, 12th November, 2010 at 11:00 a.m., to consider and, if thought fit, approve the Agreement, the Shareholders' Agreement and the transactions contemplated respectively thereunder. The voting on the ordinary resolution 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 terms of the Agreement and the Shareholders' Agreement are fair and reasonable and the Disposal and the provision of the Shareholder's Loan are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Agreement, the Shareholders' Agreement and the transactions contemplated respectively thereunder.

Your attention is drawn to the recommendation of the Independent Board Committee (as set out on pages 22 to 23 of this circular) and the letter of advice of First Shanghai (as set out on pages 24 to 36 of this circular) regarding the terms of the Agreement and the Shareholders' Agreement.

The Independent Board Committee, having taken into account the advice of First Shanghai, considers that the terms of the Disposal (including the Sale Loan as being part and parcel thereto) pursuant to the Agreement in addition to the provision of the Shareholder's Loan pursuant to the Shareholders' Agreement, are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and the Disposal pursuant to the Agreement and the provision of the Shareholder's Loan pursuant to the Shareholders' Agreement are in the interests of the Company and the Shareholders as a whole; and recommends the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Agreement, the Shareholders' Agreement and the transactions contemplated respectively thereunder.

GENERAL INFORMATION

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

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



德祥地產集團有限公司*

ITC PROPERTIES GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code : 199)

27th October, 2010

To the Independent Shareholders

Dear Sir or Madam,

**(i) MAJOR AND CONNECTED TRANSACTION
IN RELATION TO THE
DISPOSAL OF 50% INTEREST IN
ITC PROPERTIES (CHINA) LIMITED;
AND
(ii) DISCLOSEABLE AND CONNECTED
TRANSACTION IN RELATION TO THE
PROVISION OF SHAREHOLDER'S LOAN**

We refer to the circular of the Company dated 27th October, 2010 (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 terms of the Agreement and the Shareholders' Agreement 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 the Disposal and the provision of the Shareholder's Loan 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 regarding the terms of the Agreement and the Shareholders' Agreement. 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 24 to 36 of the Circular. Your attention is also drawn to the letter from the Board and the additional information set out in the appendices to the Circular.

* For identification purpose only

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the terms of the Agreement and the Shareholders' Agreement and the advice of First Shanghai, we consider that the terms of the Disposal (including the Sale Loan as being part and parcel thereto) pursuant to the Agreement in addition to the provision of the Shareholder's Loan pursuant to the Shareholders' Agreement, are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and the Disposal pursuant to the Agreement and the provision of the Shareholder's Loan pursuant to the Shareholders' Agreement 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 Agreement, the Shareholders' Agreement and the transactions contemplated respectively thereunder.

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

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 27th October, 2010 setting out their opinion in respect of (i) the Disposal pursuant to the Agreement and (ii) the provision of the Shareholder's Loan pursuant to the Shareholders' Agreement for the purpose of inclusion in this circular.



FIRST SHANGHAI CAPITAL LIMITED

19th Floor, Wing On House
71 Des Voeux Road Central
Hong Kong

27th October, 2010

*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) MAJOR AND CONNECTED TRANSACTION
IN RELATION TO THE DISPOSAL OF 50% INTEREST IN
ITC PROPERTIES (CHINA) LIMITED;
AND
(ii) DISCLOSEABLE AND CONNECTED TRANSACTION
IN RELATION TO THE PROVISION OF SHAREHOLDER'S LOAN**

INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of (i) the Disposal pursuant to the Agreement and (ii) the provision of the Shareholder's Loan pursuant to the Shareholders' Agreement, details of which are set out in the circular of the Company dated 27th October, 2010 (the "Circular") to the Shareholders, of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

On 29th September, 2010, the Vendor, the Purchaser, the Company and Hanny entered into the Agreement pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Shares and the Sale Loan at an aggregate consideration of HK\$480 million.

LETTER OF ADVICE FROM FIRST SHANGHAI

The Sale Shares represent 50% of the issued share capital of ITCP (China) which will hold the entire interest in the Property Development Project upon completion of the Acquisition Agreements. Upon Completion, ITCP (China) will be owned equally by the Vendor and the Purchaser and will be accounted for as a jointly controlled entity by each of the Company and Hanny.

On Completion, the Vendor, the Purchaser and ITCP (China) shall enter into the Shareholders' Agreement in respect of the affairs of, and the rights and obligations of the Vendor and the Purchaser in, ITCP (China) after Completion, under which each of the Vendor and the Purchaser shall undertake to provide the Shareholder's Loan up to the amount of HK\$150 million to finance the Property Development Project and the operating expenses of the ITCP (China) Group.

The Disposal constitutes a major transaction for the Company under Chapter 14 of the Listing Rules. As at the Latest Practicable Date, Hanny was indirectly interested in 76,402,763 Shares, representing approximately 13.52% of the issued share capital of the Company. As the Purchaser is an indirect wholly-owned subsidiary of Hanny, the Purchaser is a connected person of the Company under Chapter 14A of the Listing Rules and the Disposal also constitutes a connected transaction for the Company. The provision of the Shareholder's Loan under the Shareholders' Agreement constitutes a discloseable and connected transaction for the Company under Chapters 14 and 14A of the Listing Rules. Accordingly, the Agreement, the Shareholders' Agreement and the transactions contemplated respectively thereunder are subject to the approval of the Independent Shareholders at the SGM by way of poll. Hanny and its associates shall abstain from voting on the proposed ordinary resolution to approve the Agreement, the Shareholders' Agreement and the transactions contemplated respectively thereunder (including the provision of the Shareholder's Loan) at the SGM.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising Hon. Shek Lai Him, Abraham, *SBS, JP*, and Mr. Wong Chi Keung, Alvin, both being the independent non-executive Directors, has been established to consider the Agreement, the Shareholders' Agreement and the transactions contemplated respectively thereunder, and to advise the Independent Shareholders on the fairness and reasonableness in relation to the terms of the Disposal pursuant to the Agreement, the Shareholders' Agreement and the transactions contemplated respectively thereunder. 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 Disposal pursuant to the Agreement and the provision of the Shareholder's Loan pursuant to the Shareholders' Agreement are conducted in the ordinary and usual course of business of the Group; (ii) whether the terms of the Agreement and the Shareholders' Agreement are on normal commercial terms; (iii) whether the entering into of the Agreement and the Shareholders' Agreement is in the interests of the Company and the Shareholders as a whole; (iv) whether the terms of the Disposal pursuant to the Agreement and the provision of the Shareholder's Loan pursuant to the Shareholders' Agreement are fair and reasonable; and (v) how the Independent Shareholders should vote in relation to the ordinary resolution to be proposed for approving the Agreement and the Shareholders' Agreement and the transactions contemplated respectively thereunder at the SGM.

LETTER OF ADVICE FROM FIRST SHANGHAI

BASIS OF OUR OPINION

In putting forth our opinion and recommendations, we have relied on the information, facts and representations contained or referred to in the Circular and the information, facts and representations provided, 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 up to the date of the SGM.

We consider that we have (i) obtained all information and documents of the Group including the ITCP (China) Group relevant to an assessment of the fairness and reasonableness of the terms of the Disposal pursuant to the Agreement and the provision of the Shareholder’s Loan pursuant to the Shareholders’ Agreement; (ii) researched the relevant market and other conditions and trends relevant to the pricing of the Disposal; (iii) reviewed the fairness, reasonableness and completeness of any assumptions relevant to the Disposal; and (iv) reviewed the opinion and valuation relevant to the Disposal provided by the expert, being DTZ Debenham Tie Leung Limited who is an independent professional valuer (the “Valuer”), including reviewing the terms of engagement (having particular regard to the scope of work, whether the scope of work is appropriate to the opinion required to be given and any limitations on the scope of work which might adversely impact on the degree of assurance given by the expert’s report (the “Valuation Report”), opinion or statement). Based on the foregoing, we confirm that we have taken all reasonable steps, which are applicable to the Disposal and the provision of the Shareholder’s Loan, 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 recommendation. 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 Disposal pursuant to the Agreement and the provision of the Shareholder's Loan pursuant to the Shareholders' Agreement, we have considered the following principal factors and reasons:

1. Background of the Group and the Hanny Group

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

The Hanny Group is principally engaged in trading of securities, holding of vessels for sand mining, industrial water supply business, property development and trading and other strategic investments including an associated company whose shares are traded on the OTC Securities Market in the United States of America and convertible notes issued by companies whose shares are listed on the Stock Exchange.

2. Background of and reasons for the Disposal

As mentioned in the "Letter from the Board" in the Circular, it was the intention of the Group to develop the Land into a high-class shopping arcade with 4 basement floors and 7-storeys above ground with gross floor area of about 64,514 m². The Property Development Project is expected to comprise shops, food and beverage outlets, cinema and carpark with passageways directly connecting to the Gongyuanqian Subway Station, one of the busiest interchange stations in Guangzhou City, Guangdong Province, the PRC. Based on the latest progress including the Demolition and Resettlement, construction may commence in mid-2011 with construction period of approximately three years. Meanwhile, the Hanny Group is interested in another parcel of land located in the neighbourhood of the Land, where a residential, commercial and financial complex is planned to be developed on the Hanny Land and is expected to be completed by the end of 2011.

The Shareholders' Agreement provides that, among other things, a subsidiary of Hanny will be engaged as the project manager for the Property Development Project. Accordingly, the Hanny Group will take the lead in the overall development of the Land and the Hanny Land. It is currently expected that the properties to be developed on the Land and the Hanny Land would be linked up with passageways to enhance accessibility and traffic flow. The Directors and the directors of Hanny are of the view that the development potential and therefore the capital value of both the Land and the Hanny Land would be maximized if they are developed under one project manager. From the Company's perspective, the Disposal reduces the Group's commitment towards the Property Development Project and yet allows it to retain a joint control over the Property Development Project. From Hanny's perspective, the Disposal enables the Hanny Group to capitalize its existing resources and experience to expand its property portfolio in Guangzhou City.

LETTER OF ADVICE FROM FIRST SHANGHAI

Based on the above, the Directors are of the view that the terms of the Agreement and the Shareholders' Agreement (including the provision of the Shareholder's Loan) are fair and reasonable, and the Disposal (comprising the disposal of the Sale Shares and the Sale Loan) and the provision of the Shareholder's Loan are in the interests of the Company and the Shareholders as a whole.

Based on the unaudited financial information of the ITCP (China) Group as at 30th June, 2010 and assuming completion of the Acquisition Agreements, a loss of approximately HK\$1.0 million (subject to finalization of audit) is expected to arise from the Disposal for the Group, which is calculated with reference to the net proceeds from the Consideration of approximately HK\$477 million less the carrying value attributable to the Sale Shares and the Sale Loan as at 30th June, 2010, after accounting for the transaction costs associated with the implementation of the Disposal.

The net proceeds receivable by the Company from the Disposal, after deducting the related expenses, are estimated to be approximately HK\$477 million, which are intended to be applied for refinancing completion of the Acquisition Agreements and as general working capital of the Group.

Based on the annual report of the Company for the financial year ended 31st March, 2010 (the "2010 Annual Report"), the Directors considered that, despite the then recent property market cooling measures including the tightening of real-estate financing adopted by the PRC government as efforts to cool down the soaring housing prices, it was expected that, being one of the fastest growing economies in the world, property demand in the PRC will continue to grow in the middle to long run. Investors, on the whole, prefer property as their core investments due to the record low interest rates, low public confidence in financial products as well as early signs of economic recovery worldwide. Barring unforeseen circumstances, the Group is confident in capturing future capital gains from its investment portfolio.

Considering the most recent imposition of a series of further stringent fiscal and monetary measures against the overheating property market by the various authorities of the PRC Government at the end of September 2010, we concur with the Directors' view that there may likely be more obvious cyclical downward fluctuations in the PRC property market during the development period of the Land. In order to cater for any downward fluctuations in the short run, we consider that it is prudent and would be commercially beneficial to the Group to dispose of its 50% equity interest in the ITCP (China) Group at almost the original cost of investment to Hanny by mutually sharing the land resources, construction material usages, expertise and experience in property development field by joint development of the Land and the Hanny Land so as to increase the operating efficiency and cost-effectiveness at the construction site(s) during the development period.

In this respect, the Disposal on the one hand (i) provides an opportunity for the Group to mitigate its risks on the investment in the Land or Property Development Project; (ii) effectively enhances the development value of the Land by merging with the Hanny Land; and (iii) allows the Group to deploy additional resources to its other core

LETTER OF ADVICE FROM FIRST SHANGHAI

business activities, and on the other hand the Group can still maintain its significant influence over the Property Development Project.

Having considered that (i) ITCP (China) is still in its preliminary stage and loss-making; (ii) the development of the Land or Property Development Project has not yet been commenced so far; (iii) the more recent imposition of a series of further stringent fiscal and monetary measures against the overheating property market by the various authorities of the PRC Government at the end of September 2010; (iv) the Disposal may mitigate the Group's possible risks involved in the development of the Land under the prevailing property market situation in the PRC associated with the prolonged uncertainties in the global financial market; (v) the Disposal will bring in cash proceeds of approximately HK\$477 million which in turn can strengthen the working capital position of the Group and enable it to spare its resources to other investment opportunities; (vi) the Disposal could ultimately increase the operating efficiency and cost-effectiveness during the development period; and (vii) the Group can still maintain its significant influence over the Property Development Project to the extent of 50%, we concur with the Directors' view that the entering into of the Agreement in conjunction with the Shareholders' Agreement is conducted in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole.

3. The Agreement

Assets to be disposed of

The assets to be disposed of by the Vendor and to be acquired by the Purchaser pursuant to the Agreement comprise (i) the Sale Shares, being fifty (50) shares of US\$1 each in the issued share capital of ITCP (China), representing 50% of the issued share capital of ITCP (China) as at the date of the Agreement and on Completion; and (ii) the Sale Loan. The amount of the shareholder's loan owing by ITCP (China) to the Vendor was approximately HK\$365 million as at the date of the Agreement and the Latest Practicable Date.

Payment of Consideration

The aggregate consideration for the Sale Shares and the Sale Loan is HK\$480 million (subject to downward adjustment(s) as described below) which shall be apportioned as follows:

- (i) the portion of the Consideration attributable to the Sale Loan shall be equal to the face value of the Sale Loan on a dollar-for-dollar basis on the assumption that the Acquisition Consideration has been fully paid by ITCP (China) prior to the Completion; and
- (ii) the remaining balance of the Consideration shall be attributable to the Sale Shares.

LETTER OF ADVICE FROM FIRST SHANGHAI

The Vendor and the Purchaser shall jointly procure that the Completion Accounts be issued within three months after the Completion Date. If the Purchaser so requires not later than two months after the issue thereof, the Vendor and the Purchaser shall, at the cost of ITCP (China), jointly appoint a firm of certified public accountants to audit the Completion Accounts.

The Consideration shall be adjusted downwards as described below. If the amount of the liabilities (other than the Sale Loan) appearing in the audited Completion Accounts exceeds the amount disclosed in the Completion Accounts, the Vendor shall repay to the Purchaser 50% of the amount of such excess. If the aforesaid excess is more than HK\$1 million, apart from repaying the Purchaser 50% of the amount of such excess, the Vendor shall also reimburse the Purchaser the audit expenses incurred by the Purchaser.

The Consideration has been/shall be paid by the Purchaser in cash in the following manner:

- (i) a deposit of HK\$350 million (the "Deposit") has been paid upon signing of the Agreement; and
- (ii) the balance of the Consideration shall be paid upon Completion.

Basis of determination of the Consideration

The Consideration was determined after arm's length negotiations between the Vendor and the Purchaser with reference to, among other things, the Acquisition Consideration of HK\$960 million for the acquisition of the entire interest in Newskill under the Acquisition Agreements. As set out in the circular of the Company dated 31st May, 2010 (the "May Circular"), the Acquisition Consideration was determined after arm's length negotiations between ITCP (China) and the vendors under the Acquisition Agreements with reference to, among other things, the unaudited net deficit of the Newskill Group of approximately HK\$44.9 million as at 30th September, 2009, the valuation of the Property Development Project of RMB1,100 million (equivalent to approximately HK\$1,247.9 million) at its then existing state as at 24th July, 2009 conducted by the Valuer as well as the future prospects of the Property Development Project (the "Valuation"). As the Valuation remained at RMB1,100 million (equivalent to approximately HK\$1,247.9 million) as at 31st August, 2010 and there has been no significant change in the financial position of the Newskill Group since 30th September, 2009, the Directors consider the Acquisition Consideration is a fair and reasonable basis for determining the Consideration and that the Consideration is fair and reasonable and the Agreement is on normal commercial terms.

LETTER OF ADVICE FROM FIRST SHANGHAI

Valuation of the Property Development Project

To assess the fairness and reasonableness of the Consideration, we have reviewed the Valuation Report and enquired with the Valuer on the methodology adopted and the basis and assumptions used in arriving at the Valuation. In the course of our enquiry, we understand that the Valuer carried out a site inspection to the Property Development Project to research for the necessary information to determine the market value of the Property Development Project. The Valuer has further advised that it has adopted the direct comparison method for the Valuation. As confirmed by the Valuer, the direct comparison method is commonly adopted for valuation of properties in Hong Kong and the PRC and is also consistent with normal market/industry practice.

During the course of our discussions with the Valuer, we have not identified any major factors which cause us to doubt the fairness and reasonableness of the principal basis and assumptions adopted for the Valuation.

Since the ITCP (China) Group has not commenced its business operations and has not been generating any concrete operating profit in its ordinary and usual course of business (other than the share of profit of a jointly controlled entity) so far, comparison in terms of price-earnings ratio with other similar businesses is not practicable. As the ITCP (China) Group's assets substantially consist of land and properties (i.e. the pre-construction costs) to be developed, we consider that it would be more meaningful for us to consider the amount of the Valuation rather than to make reference to the past financial and operating performance of the ITCP (China) Group. As such, we consider that the Valuation is an appropriate valuation for the ITCP (China) Group.

Since the Consideration of HK\$480 million for the Disposal is exactly the same as the 50% share of the Acquisition Consideration of HK\$960 million in aggregate, we consider that the basis for determining the Consideration is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

The Sale Loan

Furthermore, since the portion of the Consideration attributable to the Sale Loan shall be equal to the face value of the Sale Loan on a dollar-for-dollar basis and as being part and parcel of the transactions contemplated under the Agreement, we are of the view that the terms of the Sale Loan are on normal commercial terms and fair and reasonable in so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

LETTER OF ADVICE FROM FIRST SHANGHAI

Other terms of and conditions precedent to the Agreement

If the conditions precedent to the Agreement are not fulfilled or waived (as the case may be) on or before the Long Stop Date and/or the some other conditions precedent thereto do not remain fulfilled (and are not waived by the Purchaser) on the Completion Date, the rights and obligations of the parties under the Agreement shall lapse and be of no further effect except for antecedent breach. In such event, the Vendor shall refund to the Purchaser the Deposit forthwith without any interest. Other principal terms of the Agreement are set out in the "Letter from the Board" in the Circular.

We have also reviewed the other major terms of and conditions precedent to the Agreement and are not aware of any terms which are uncommon.

Based on the above analysis and consideration, we are of the view that the basis for determination of the Consideration (including the payment terms) is fair and reasonable and the terms of the Agreement are on normal commercial terms, fair and reasonable in so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

4. The Shareholders' Agreement

On Completion, the Vendor, the Purchaser and ITCP (China) shall enter into the Shareholders' Agreement in respect of the affairs of (including, without limitation, its operations, management and business), and the rights and obligations of the Vendor and the Purchaser with respect to their interests in, ITCP (China) after Completion.

The Vendor and the Purchaser shall, and shall procure the ITCP (China) Group to, use all reasonable endeavours to obtain financing from the banks or financial institutions to finance the Property Development Project and for operating expenses of the ITCP (China) Group on such terms as its board may determine.

In the event that external financing is not available or insufficient for such purposes, each of the Purchaser and the Vendor undertakes to provide further shareholders' loans to ITCP (China) up to a maximum amount of HK\$150 million within three years from the date of the Shareholders' Agreement at such time(s) as the board of ITCP (China) may from time to time resolve. All shareholders' loan(s) shall be unsecured, carry interest at the prime rate for Hong Kong dollar loans as quoted by The Hongkong and Shanghai Banking Corporation Limited from time to time and have no fixed repayment date and neither the Purchaser nor the Vendor shall demand repayment unless approved by the board of ITCP (China). Other principal terms of the Shareholders' Agreement, such as matters regarding the business operations and project management of the ITCP (China) Group after the Completion are set out in the "Letter from the Board" in the Circular.

Given the facts that (i) ITCP (China) is merely an investment holding company; (ii) the provision of the Shareholder's Loan up to a maximum amount of HK\$150 million by each party under the Shareholders' Agreement is for the purpose of financing the Property

LETTER OF ADVICE FROM FIRST SHANGHAI

Development Project; and (iii) the rights and obligations pursuant to the Shareholders' Agreement will be equally and fairly treated between the Vendor and the Purchaser, we are of the view that the terms of the Shareholders' Agreement are on normal commercial terms, fair and reasonable in so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

5. Business and financial information of the ITCP (China) Group

ITCP (China) is an investment holding company. Its principal asset would be the entire issued share capital of Newskill upon completion of the Acquisition Agreements.

The principal activity of Newskill is investment holding and its sole asset is the investment in the entire issued share capital of Joyful Honour. Joyful Honour is a joint venture partner of the Project Company with Guangzhou Metro, which is a large-scale state-owned enterprise under Guangzhou government and is principally engaged in the operation and management of Guangzhou city track traffic system. As disclosed in the May Circular, the Cooperation Agreement did not provide for the percentage interests of the joint venture partners in the Project Company but provided that upon completion of the Property Development Project on the Land, Guangzhou Metro would be entitled to a gross floor area of 1,420 m² of the developed property (the "Entitlement"), and that in view of the Entitlement, it is one of the conditions precedent to the Acquisition Agreements that Guangzhou Metro will provide a confirmation to the satisfaction of ITCP (China) that (i) it has received full payment pursuant to the Cooperation Agreement; (ii) it has no claims against any company in the Newskill Group whatsoever; (iii) it would (at such time appointed by Joyful Honour) transfer its interest in the Project Company to Joyful Honour or a company nominated by Joyful Honour and direct the director(s) nominated by it in the Project Company to resign from his (their) directorship(s); and (iv) it no longer has any interest in the Land and the building to be erected thereon (collectively the "Guangzhou Metro Condition").

As at the Latest Practicable Date, all conditions precedent set out in the Acquisition Agreements have been fulfilled except for the Guangzhou Metro Condition. Based on the discussion with the vendors under the Acquisition Agreements, there is good progress in the negotiations with Guangzhou Metro and it is expected that the Guangzhou Metro Condition will be fulfilled before the end of November 2010.

Based on the unaudited financial information of ITCP (China) for each of the two financial years ended 31st March, 2010 prepared in accordance with the Hong Kong Financial Reporting Standards, it had recorded net losses of approximately HK\$5,000 and HK\$339,000 respectively (mainly being the administrative expenses incurred during the years); and no revenue had been generated from ITCP (China) since its incorporation and up to 31st March, 2010. As at 31st August, 2010, ITCP (China) had unaudited net liabilities of approximately HK\$3.9 million.

LETTER OF ADVICE FROM FIRST SHANGHAI

Based on the audited consolidated financial information of the Newskill Group for each of the two financial years ended 31st December, 2009 prepared in accordance with the Hong Kong Financial Reporting Standards, it had recorded net profit of approximately HK\$1.7 million and HK\$2.6 million respectively (mainly from the share of profit of a jointly controlled entity); while no revenue had been generated from its own business operation during the same years because the construction and development work for the Property Development Project had not yet been commenced due to the demolition of all structures and resettlement of all occupiers, nor had it yielded any concrete positive operating result so far. As at 30th June, 2010, the Newskill Group had unaudited consolidated net asset value of approximately HK\$41.3 million.

6. Financial effects of the Disposal on the Group

Earnings

Upon the Completion, ITCP (China) will no longer be a subsidiary of the Group but will be regarded as a jointly controlled entity of the Group. The financial results of the ITCP (China) Group will be equity-accounted for in the consolidated financial statements of the Group to the extent of 50%. As a result, the operating performance and financial position of the ITCP (China) Group will then be de-consolidated from the consolidated financial statements of the Group after Completion.

The Group currently expects that no material loss on the Disposal (subject to finalization of audit) will be recognised, other than the change in fair value attributable to the Sale Shares and the Sale Loan and immaterial transaction costs associated with the Disposal, since the Consideration is mostly similar to the share of the 50% shareholding interest in the carrying value of the ITCP (China) Group as at 31st August, 2010. On such basis, the Disposal itself pursuant to the Agreement will have no material adverse impact on the earnings of the Group. The Directors currently expect that the Disposal would effectively enhance the development value of the Land by merging with the Hanny Land, but the quantification of such impact will depend on the future performance of the ITCP (China) Group after the completion of the Property Development Project.

Net asset value

Upon the Completion, there shall be no material adverse impact on the net asset position of the Group as a result of the Disposal given that the ITCP (China) Group will still be a jointly controlled entity of the Group and the operating results and financial position of which will be equity-accounted for in the consolidated financial statements of the Group to the extent of 50%; while the net asset value attributable to the other 50% equity interest in the ITCP (China) Group attributable to the Disposal to be excluded from the Group will be replenished by the net proceeds of approximately HK\$477 million from the Disposal.

LETTER OF ADVICE FROM FIRST SHANGHAI

Gearing position

Based on the 2010 Annual Report, the Group had total bank borrowings and net asset value (excluding minority interests) of approximately HK\$477.7 million and HK\$2,114.6 million, representing a gearing ratio of approximately 22.6%. The net proceeds of approximately HK\$477 million are intended to be applied for refinancing completion of the Acquisition Agreements and as general working capital of the Group. Should the net proceeds of approximately HK\$477 million be wholly or partially utilised to repay the bank borrowings of the Group, its gearing position would be improved.

Working capital

Based on the 2010 Annual Report, the Group had working capital (i.e. current assets less current liabilities) and bank balances and cash (i.e. excluding pledged bank deposits) as at 31st March, 2010 of approximately HK\$985.2 million and HK\$160.7 million (excluding pledged bank deposits) respectively. The Disposal is expected to further improve the working capital position of the Group by approximately HK\$477 million, being the net proceeds from the Disposal.

7. Financial effect of the provision of the Shareholder's Loan

The Shareholder's Loan, if provided, will carry interest at the prime rate for Hong Kong dollar loans as quoted by The Hongkong and Shanghai Banking Corporation Limited from time to time (i.e. currently at 5.0% per annum) and has no fixed repayment date. The provision of the Shareholder's Loan up to a maximum amount of HK\$150 million would contribute an interest income of approximately HK\$7.5 million to the Group on an annualized basis, which represents approximately 7.3% on the audited net profit attributable to the owners of the Company for the financial year ended 31st March, 2010. The maximum principal amount of the Shareholder's Loan represents only 3.6% on the total assets of the Group as at 31st March, 2010 in accordance with the 2010 Annual Report. Based on our understanding from the Management, the Shareholder's Loan, if necessary, will be financed by the internal resources of the Group, it is expected that no material adverse impact would be borne upon the liabilities of the Group. On such basis, the provision of the Shareholder's Loan does not have material adverse impact on the assets, both non-current and current assets, of the Group.

RECOMMENDATION

Having taken into account the above principal factors, we consider that the Disposal is conducted in the ordinary and usual course of business of the Group; and the terms of the Disposal (including the Sale Loan as being part and parcel thereto) pursuant to the Agreement in addition to the provision of the Shareholder's Loan pursuant to the Shareholders' Agreement, which aims at facilitating the management of and financing for the Property Development Project, are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned, and that the Disposal pursuant to the Agreement and the provision of the Shareholder's Loan pursuant to the Shareholders' Agreement are in the interests of the

LETTER OF ADVICE FROM FIRST SHANGHAI

Company and the Shareholders as a whole. We therefore recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the ordinary resolution to approve the Disposal pursuant to the Agreement as well as the provision of the Shareholder's Loan pursuant to the Shareholders' Agreement and the transactions contemplated respectively thereunder at the SGM.

Yours faithfully,

For and on behalf of

First Shanghai Capital Limited

Helen Zee

Managing Director

Eric Lee

Deputy Managing Director

1. INDEBTEDNESS STATEMENT

(a) Borrowings

At the close of business on 30th September, 2010, being the latest practicable date for the purpose of preparing this indebtedness statement, the Group had the following borrowings:

| | |
|----------------------------------|-----------------------|
| | <i>HK'000</i> |
| Secured bank borrowings | 468,673 |
| Obligations under finance leases | <u>200</u> |
| | <u><u>468,873</u></u> |

The secured bank borrowings and obligations under finance leases were secured by certain of the Group's property, plant and equipment, investment properties under development, properties held for sale and bank deposits with an aggregate carrying amount of approximately HK\$1,202.7 million at 30th September, 2010.

(b) Debt securities

At the close of business on 30th September, 2010, the Group had the following outstanding convertible notes:

| | Principal amount <i>HK\$'000</i> | Carrying amount of debt component at 30th September, 2010 <i>HK\$'000</i> | Conversion price <i>HK\$</i> |
|------------------------------------------------|----------------------------------------|------------------------------------------------------------------------------------------------|------------------------------------|
| Convertible notes issued on 15th June, 2006 | <u>906,000</u> | <u>943,767</u> | <u>8.904</u> |

(c) Pledge of assets

At the close of business on 30th September, 2010, the Group's obligations under finance leases, bank borrowings and credit facilities from financial institutions were secured by the following:

- (i) Legal charges over the Group's properties held for sale with a carrying value of approximately HK\$663.3 million;
- (ii) Investment properties under development with a carrying value of approximately HK\$497 million;
- (iii) Bank deposits of approximately HK\$42.2 million; and
- (iv) Property, plant and equipment with a net book value of approximately HK\$0.2 million.

Save as aforesaid and apart from intra-group liabilities and normal trade payables and bills payable, as at the close of business on 30th September, 2010, none of the companies of the Group had any outstanding mortgages, charges, debentures, loan capital, bank loans and overdrafts, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities.

For the purpose of the statement of indebtedness, foreign currency amounts have been converted into Hong Kong dollars at the rates of exchange prevailing at the close of business on 30th September, 2010.

2. WORKING CAPITAL

In the absence of unforeseen circumstances, the Directors are of the opinion that, after taking into account of the financial resources and banking facilities available to the Remaining Group, funds internally generated from operation and the proceeds from the Disposal, the Remaining Group will have sufficient working capital for its business for the next twelve months from the date of this circular.

The following is the text of the letter and the valuation certificate, prepared for the purpose of incorporation in this circular received from DTZ Debenham Tie Leung Limited, an independent valuer, in connection with its valuation of the Land together with the Property Development Project as at 31st August, 2010.



16th Floor
Jardine House
1 Connaught Place
Central
Hong Kong

27th October, 2010

The Directors
ITC Properties Group Limited
Unit 3102, 31st Floor
Bank of America Tower
12 Harcourt Road
Central
Hong Kong

Dear Sirs,

Re: *The parcel of land (the "Property") situated at the junction of Zhongshan Wu Road and Education Road, Yuexiu District, Guangzhou, Guangdong Province, the People's Republic of China (the "PRC")*

INSTRUCTION, PURPOSE AND DATE OF VALUATION

In accordance with the instruction of ITC Properties Group Limited (the "Company") for us to carry out the valuation of the market value of the Property held by Guangzhou Jierong Real Estate Development Co., Ltd. (廣州捷榮房地產開發有限公司) (the "Project Company"), we confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we considered necessary for the purpose of providing the Company with our opinion of the value of the Property in its existing state as at 31st August, 2010 (the "date of valuation").

DEFINITION OF MARKET VALUE

Our valuation of the Property represents its market value which in accordance with The HKIS Valuation Standards on Properties (First Edition 2005) published by The Hong Kong Institute of Surveyors is defined as "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

VALUATION BASIS AND ASSUMPTION

Our valuation of the Property excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

In the course of our valuation of the Property situated in the PRC, we have assumed that transferable land use rights in respect of the Property for its specific term at nominal annual land use fee have been granted and that any premium payable has already been fully paid by the Project Company. We have relied on the information and advice given by the Project Company and the opinion of the PRC legal adviser of the Company, Guangdong Code Law Office (廣東科德律師事務所) (the "PRC Legal Adviser"), regarding the title to the Property and the interest in the Property. In valuing the Property, we have assumed that the owners have enforceable title to the Property and have free and uninterrupted rights to use, occupy or assign the Property for the whole of the unexpired term as granted.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the Property nor any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Property is free from encumbrances, restrictions and outgoings of any onerous nature which could affect its value.

METHOD OF VALUATION

We have valued the Property by direct comparison method by making reference to comparable sales evidences as available in the relevant market.

In valuing the Property, we have complied with the requirements set out in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and The HKIS Valuation Standards on Properties (First Edition 2005) published by The Hong Kong Institute of Surveyors.

SOURCE OF INFORMATION

We have relied to a very considerable extent on the information given by the Project Company and the opinion of the PRC Legal Adviser as to the PRC laws. We have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, identification of property, particulars of occupancy, development scheme, construction costs, site and floor areas and all other relevant matters.

Dimension, measurements and areas included in this valuation report are based on the information provided to us and are therefore only approximation. We have had no reason to doubt the truth and accuracy of the information provided to us by the Project Company which is material to the valuation. We were also advised that no material facts have been omitted from the information supplied.

We would point out that the copies of documents provided to us are mainly compiled in Chinese characters and the transliteration into English represents our understanding of the contents. We would therefore advise the Company to make reference to the original Chinese edition of the documents and consult its legal adviser regarding the legality and interpretation of these documents.

TITLE INVESTIGATION

We have been provided by the Project Company with copies or extracts of documents. However, we have not searched the original documents to verify ownership or to ascertain any amendments. All documents have been used for reference only and all dimensions, measurements and areas are approximation.

SITE INSPECTION

We have inspected the exterior and, where possible, the interior of the Property. However, we have not carried out any soil investigations to determine the suitability of the soil conditions and the services etc. for any future development. Our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period.

We have not been able to carry out detailed on-site measurements to verify the site areas of the Property and we have assumed that the areas shown on the copies of documents handed to us are correct.

CURRENCY

Unless otherwise stated, all sums stated in our valuation are in Renminbi, the official currency of the PRC.

REMARK

We must point out that we have issued a valuation certificate on 31st May, 2010 with a valuation of the Property as at 28th February, 2010 to the Company.

We attach herewith our valuation certificate.

Yours faithfully,
For and on behalf of
DTZ Debenham Tie Leung Limited
Philip C Y Tsang
Registered Professional Surveyor (GP)
Registered China Real Estate Appraiser
MSc, MRICS, MHKIS
Director

Note: Mr. Philip C Y Tsang is a Registered Professional Surveyor who has over 17 years' experience in the valuation of properties in the PRC.

Contributing PRC valuers of Guangzhou DTZ Office with professional qualifications include, but not limited to, China Real Estate Appraiser and China Land Valuer.

VALUATION CERTIFICATE

Property held for Future Development in the PRC

| Property | Description and tenure | Particulars of occupancy | Market Value in existing state as at 31st August, 2010 |
|----------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------|
| The parcel of land situated at the junction of Zhongshan Wu Road and Education Road, Yuexiu District, Guangzhou, Guangdong Province, the PRC | The Property comprises a parcel of land with a gross site area of approximately 9,710 sq. m. (in which net granted site area is 6,883 sq. m. and 2,827 sq. m. will be set back as road area). | Portion of the site is being occupied as a temporary single storey commercial building. | RMB1,100,000,000 (on the basis that the Property is a cleared and vacant site) |
| | According to the development scheme, the Property is planned to be developed into the Property Development Project named "JY-1 Project" with a shopping arcade with 4 basement floors and 7-storey above ground. Level 1 to 7 and Basement 1 to 2 are planned as commercial use; Basement 3 to 4 are planned as car parks. The Property Development Project is expected to comprise shops, food and beverage outlets, cinema and car parks with passageways directly connecting to the Gongyuanqian Subway Station. | The remaining site is currently under demolition and resettlement. | (Please see note 1) |
| | | Planned Gross Floor Area (sq. m.) | |
| | 7-storey above ground (commercial & ancillary) | 33,700 | |
| | 2 basement floors (commercial) | 13,674 | |
| | 2 basement floors (car parks & ancillary) | 16,780 | |
| | Grand Total | 64,154 | |

According to the PRC legal opinion, the land use rights of the Property is for commercial and financial uses. The land use term has been granted for a term of 40 years for commercial use commenced from 4th November, 1994, which is the date of the State-owned Land Use Certificate issued.

Notes:

- (1) According to the PRC legal opinion, the Property was subject to a Foreclosure Order expired on 7th May, 2010. As of 9th October, 2010, the court has released the Foreclosure Order automatically due to the expiration of Foreclosure Order and without extension.
- (2) We have also prepared a valuation of the Property as at 28th February, 2010 to the Company. The valuations were the same as at 28th February, 2010 and 31st August, 2010.
- (3) According to Replying Letter about Design Planning of the Construction No. (2007) 7550 dated 4th September, 2007, the site was planned to construct a 7-storey shopping arcade (portion 5 storey, and a 4-level basement), Guangzhou Urban Planning Bureau commented that the total gross floor area above ground should not exceed 33,700 sq. m.
- (4) According to Approval for the Construction Use of Land No. (2006) 264 dated 18th August, 2006:
- (i) Constructor : Guangzhou Jierong Real Estate Development Co., Ltd. (廣州捷榮房地產開發有限公司) (the "Project Company")
 - (ii) Location : Aboveground of the metro station, south of Zhongshan Wu Road and east of Education Road, Yuexiu District
 - (iii) Site Area : Approximately 9,710 sq. m. (gross) (including the site area of approximately 6,883 sq. m. and the road area of approximately 2,827 sq. m.)
 - (iv) Valid Period : Till October 2009
- (5) According to Construction Land Planning Permit No. (2000) 130 dated 5th September, 2000:
- (i) Constructor : The Project Company
 - (ii) Location : Aboveground of the metro station, south of Zhongshan Wu Road and east of Education Road, Yuexiu District
 - (iii) Land Use : Land used for commercial and office uses, land used for commercial and financial uses
 - (iv) Site Area : Approximately 9,710 sq. m. (gross) (including the site area of approximately 6,883 sq. m. and the road area of approximately 2,827 sq. m.)
- (6) According to Grant Contract of Land Use Rights No. (93) 386 dated 18th November, 1993 and its Supplement dated 1st August, 2006, the land use rights was granted to the Project Company:
- (i) Location : Situated at the south of Zhongshan Wu Road, east of Education Road and west of Damazhan
 - (ii) Lot No. : JY-1
 - (iii) Site Area : Approximately 9,710 sq. m. (including the site area of approximately 6,883 sq. m. and the road area (set back area) of approximately 2,827 sq. m.)
 - (iv) Land Use Term : 40 years for commercial use
 - (v) Total Land Premium : RMB40,712,490

- (7) According to State-owned Land Use Certificate No. (1994) 015 dated 4th November, 1994:
- (i) Owner : The Project Company
 - (ii) Location : The junction of Zhongshan Wu Road and Education Road, Yuexiu District
 - (iii) Use : Apartment and commercial
 - (iv) Site Area : Approximately 7,594 sq. m.
 - (v) Land Use Term : 70 years for apartment use, 40 years for commercial use
- (8) According to Replying Letter of Consent to the Amendment of the Land Use No. (1996) 40 dated 18th February, 1996, Guangzhou Urban Planning Bureau agreed that the land, with a site area of approximately 7,594 sq. m., be changed to commercial and office uses.
- (9) According to Business License Registration No. 004791, the Project Company was established on 23rd December, 1993 with a registered capital of HK\$324,080,000.
- (10) According to the PRC legal opinion prepared by the PRC Legal Adviser:
- (i) The Project Company was established on 23rd December, 1993, with a registered capital of HK\$324,080,000. Its valid operation period is from 23rd December, 1993 to 22nd October, 2010;
 - (ii) The site JY-1 has a site area of approximately 9,710 sq. m. (in which net granted site area is approximately 6,883 sq. m. and approximately 2,827 sq. m. will be set back as road area). The planning of the land has deleted the apartment use and changed to commercial development for 7-storey high with a plot ratio of about 4.5;
 - (iii) The Project Company has obtained Approval for the Construction Use of Land No. (2006) 264 with a valid period till October 2009, the Project Company should apply for its extension according to the relevant regulations; and
 - (iv) The building consent as per Approval for the Construction Use of Land No. (2006) 264 has lapsed. However, a temporary commercial building has been approved and erected on the site. The Property is thus not considered as an idle land.
- (11) The status of title and grant of major approvals, licenses in accordance with the PRC legal opinion and the information provided by the Project Company are as follows:
- | | |
|-------------------------------------------------------------|---------------|
| Replying Letter about Design Planning of the Construction | Yes |
| Approval for the Construction Use of Land | Yes (expired) |
| Construction Land Planning Permit | Yes |
| Grant Contract of State-owned Land Use Rights | Yes |
| State-owned Land Use Certificate | Yes |
| Replying Letter of Consent to the Amendment of the Land Use | Yes |
| Business License | Yes |

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 Company. 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 share options of the Company*

| Name of Director | Date of grant | Option period | Exercise price per Share HK\$ | Number of share 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 (%) |
|------------------------------------------------------------|----------------------------------|------------------------------------------|----------------------------|-----------------------------------------------------------------------------------------|
| Loyal Concept Limited ("Loyal Concept") | Long position | Beneficial owner | 76,402,763 (Note) | 13.52 |
| Hanny Magnetics (B.V.I.) Limited ("Hanny Magnetics") | Long position | Interest of controlled corporation | 76,402,763 (Note) | 13.52 |
| Hanny | Long position | Interest of controlled corporation | 76,402,763 (Note) | 13.52 |
| Famex Investment Limited ("Famex") | Long position | Interest of controlled corporation | 76,402,763 (Note) | 13.52 |
| Mankar Assets Limited ("Mankar") | Long position | Interest of controlled corporation | 76,402,763 (Note) | 13.52 |

| Name of Shareholder | Long position/ Short position | Capacity | Number of issued Shares | Approximate percentage of the issued share capital of the Company (%) |
|-----------------------------------------------------------|----------------------------------|-------------------------------------|----------------------------|-----------------------------------------------------------------------------------------|
| Selective Choice Investments Limited ("Selective Choice") | Long position | Beneficial owner | 139,364,474 (Note) | 24.67 |
| ITC Investment Holdings Limited ("ITC Investment") | Long position | Interest of controlled corporations | 215,767,237 (Note) | 38.19 |
| ITC Corporation Limited ("ITC") | Long position | Interest of controlled corporations | 215,767,237 (Note) | 38.19 |
| Dr. Chan Kwok Keung, Charles ("Dr. Chan") | Long position | Interest of controlled corporations | 215,767,237 (Note) | 38.19 |
| | Long position | Beneficial owner | 6,066,400 (Note) | 1.07 |
| | | | 221,833,637 | 39.26 |
| Ms. Ng Yuen Lan, Macy ("Ms. Ng") | Long position | Interest of spouse | 221,833,637 (Note) | 39.26 |

(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 | 30,323,450 (Note) | 5.37 |
| Hanny Magnetics | Long position | Interest of controlled corporation | 30,323,450 (Note) | 5.37 |
| Hanny | Long position | Interest of controlled corporation | 30,323,450 (Note) | 5.37 |
| Famex | Long position | Interest of controlled corporation | 30,323,450 (Note) | 5.37 |
| Mankar | Long position | Interest of controlled corporation | 30,323,450 (Note) | 5.37 |
| Selective Choice | Long position | Beneficial owner | 7,187,780 (Note) | 1.27 |
| ITC Investment | Long position | Interest of controlled corporations | 37,511,230 (Note) | 6.64 |
| ITC | Long position | Interest of controlled corporations | 37,511,230 (Note) | 6.64 |
| Dr. Chan | Long position | Interest of controlled corporations | 37,511,230 (Note) | 6.64 |
| Ms. Ng | Long position | Interest of spouse | 37,511,230 (Note) | 6.64 |

Note: Hanny and Hanny Magnetics were taken to have interests in 106,726,213 Shares (of which 30,323,450 Shares relate to their derivative interests) which were held by Loyal Concept, being a wholly-owned subsidiary of Hanny Magnetics which, in turn, was a wholly-owned subsidiary of Hanny. Famex, a wholly-owned subsidiary of Mankar, was the controlling shareholder of Hanny. Mankar was a wholly-owned subsidiary of ITC Investment which, in turn, was a wholly-owned subsidiary of ITC. Famex and Mankar were deemed to be interested in 106,726,213 Shares (of which 30,323,450 Shares relate to their derivative interests) which were held by Loyal Concept. Selective Choice, a wholly-owned subsidiary of ITC Investment which, in turn, was a wholly-owned subsidiary of ITC, owned 70,149,491 Shares (of which 7,187,780 Shares relate to its derivative interest). Pursuant to the conditional sale and purchase agreement (the "Selective Choice Agreement") dated 27th September, 2010 entered into between Selective Choice and Loyal Concept, Selective Choice conditionally agreed to acquire and Loyal Concept conditionally agreed to dispose of 76,402,763 Shares. Accordingly, as at 27th September, 2010, Selective Choice was also deemed to be interested in 76,402,763 Shares which were held by Loyal Concept before completion of the Selective Choice Agreement. ITC Investment and ITC were deemed to be interested in 253,278,467 Shares (of which 37,511,230 Shares relate to their derivative interests) which were held by Loyal Concept and 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 253,278,467 Shares (of which 37,511,230 Shares relate to his derivative interest) which were held by Loyal Concept and Selective Choice. Ms. Ng was deemed to be interested in 259,344,867 Shares (of which 37,511,230 Shares relate to her derivative interest) which were held by Dr. Chan, Loyal Concept and Selective Choice. Upon completion of the Selective Choice Agreement, 76,402,763 Shares included in the deemed interests will be directly held by Selective Choice instead of by Loyal Concept.

(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 | Banh Dinh Huy Chan Siu Chi | 20 10 |
| Forever Fame Corporation Limited | Banh Dinh Huy 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 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 CONTRACTS

The following are contracts (not being contracts entered into in the ordinary course of business) entered into by the members of the Group within the two years immediately preceding the Latest Practicable Date and which are or may be material:

1. the agreement dated 30th October, 2008 entered into between Mr. George Wang and Mandung Limited in relation to the sale and purchase of the entire issued share capital of Pine Cheer Limited and the entire amount of the shareholder's loan owing by Pine Cheer Limited to Mr. George Wang on the date of completion (the "Pine Cheer Sale Loan") of the said acquisition, at an aggregate consideration of approximately HK\$189.8 million (based on the amount of the Pine Cheer Sale Loan as at the date of the agreement);
2. the agreement dated 30th December, 2008 entered into between Vincent Asset Holdings Limited ("Vincent Asset") and Macau Prime Property (Hong Kong) Limited (now renamed as ITC Properties (Hong Kong) Limited) ("Macau Prime (HK)") in relation to the sale and purchase of the entire issued share capital of and shareholder's loan due by Adventura International Limited;
3. another agreement also dated 30th December, 2008 and also entered into between Vincent Asset and Macau Prime (HK) in relation to the sale and purchase of the entire issued share capital of and shareholder's loans due by Charm Noble Group Limited and Favor Gain Group Limited;
4. the agreement dated 5th November, 2009 entered into between ITC (China) Properties Group Limited ("ITC China") and 貴州宏能溫泉旅游開發有限公司 (Guizhou Hong Neng Hot Spring Resort Tourism Development Company Limited) ("Hong Neng") in relation to the formation of 貴州宏德商務諮詢有限公司 (Guizhou Hong De Business Consulting Co., Ltd.) (the "JV Company");
5. the joint venture agreement dated 23rd December, 2009 entered into between ITC China and Hong Neng;
6. the Acquisition Agreements;

7. the memorandum of understanding dated 6th January, 2010 entered into between ITC China and Hong Neng in relation to the proposed increase in contributions to the JV Company;
8. the subscription agreement dated 5th February, 2010 entered into among ITC Golf & Leisure Group Limited (“ITC Golf”), Ocean Growth Enterprises Limited (“Ocean Growth”), 貴州宏能投資有限公司 (Guizhou Hong Neng Investment Company Limited) (“Hong Neng Investment”) and Business Action Holdings Limited (“Business Action”) in relation to the subscription of new shares in the share capital of Business Action;
9. the shareholders’ agreement dated 5th February, 2010 entered into among ITC Golf, Ocean Growth, Hong Neng Investment and Business Action to provide for the basis on which the Business Action group companies shall be operated, managed and administered;
10. the amending agreement dated 2nd March, 2010 entered into between ITC China and Hong Neng in relation to the joint venture agreement referred to in item 5 above;
11. the placing agreement dated 19th May, 2010 (the “Placing Agreement”) entered into between the Company as issuer and CCB International Capital Limited as placing agent (the “Placing Agent”) in relation to the placing of up to 94,000,000 new shares of HK\$0.01 each in the share capital of the Company at a price of HK\$1.60 per placing share by the Placing Agent on a best effort basis pursuant to the terms of the Placing Agreement;
12. the sale and purchase agreement dated 21st July, 2010 entered into between Everight Investment Limited (“Everight”), an indirect wholly-owned subsidiary of the Company and Million Cube Limited in relation to the sale and purchase of 65% of the issued share capital of Paragon Winner Company Limited (“Paragon Winner”) and 65% of Everight’s loan to Paragon Winner and its subsidiaries; and
13. the Agreement.

7. LITIGATION

As at the Latest Practicable Date, there was no litigation or claim of material importance known to the Directors to be pending or threatened against any members of the Group.

8. EXPERTS AND CONSENTS

Set out below are the qualifications of the experts who have been named in this circular or have given opinions or advice which are contained in this circular:

| Name | Qualification |
|-------------------------------------------|---------------------------------|
| First Shanghai | Independent financial adviser |
| DTZ Debenham Tie Leung Limited ("DTZ") | Independent professional valuer |
| Guangdong Code Law Office ("GD Code") | PRC legal adviser |

Each of First Shanghai, DTZ and GD Code 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, none of First Shanghai, DTZ and GD Code had any shareholding, directly or indirectly, in any members of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any members of the Group.

As at the Latest Practicable Date, none of First Shanghai, DTZ and GD Code had 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 members of the Group.

9. 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.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the Company's principal place of business in Hong Kong at Unit 3102, 31st Floor, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong, from the date of this circular and up to and including the date of the SGM:

- the memorandum of association and the bye-laws of the Company;
- the published annual reports of the Company for each of the two financial years ended 31st March, 2009 and 2010;
- the letter of advice from First Shanghai as set out in this circular;
- the letters of consent referred to in the paragraph headed "Experts and consents" in this appendix;
- the valuation report on the Land, the text of which is set out in Appendix II to this circular;
- the legal opinion from GD Code in relation to the Land;
- the material contracts referred to in the paragraph headed "Material contracts" in this appendix; and
- a copy of each circular of the Company issued pursuant to the requirements set out in Chapter 14 and/or 14A of the Listing Rules since 31st March, 2010.

11. GENERAL

- The company secretary of the Company is Ms. Yan Ha Hung, Loucia. She holds a master's degree in business administration (*MBA*). She is an Associate Member (Practitioner's Endorsement) of both The Hong Kong Institute of Chartered Secretaries (*ACS*) and The Institute of Chartered Secretaries and Administrators (*ACIS*).
- The registered office of the Company is at Clarendon House, Church Street, Hamilton HM 11, Bermuda.
- The Company's principal place of business in Hong Kong is situated at Unit 3102, 31st Floor, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong.
- 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 the 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, 12th November, 2010 at 11:00 a.m. for the purpose of considering and, if thought fit, passing with or without modifications the following resolution as ordinary resolution of the Company:

ORDINARY RESOLUTION

"**THAT**

- (a) the sale and purchase agreement dated 29th September, 2010 (the "Agreement") (a copy of which with the draft shareholders' agreement (the "Shareholders' Agreement") in relation to ITC Properties (China) Limited ("ITCP (China)") to be executed upon completion of the Agreement annexed, signed by the Chairman of the meeting for the purposes of identification, has been produced to the meeting marked "A") entered into among ITC Properties Holdings Group Limited (the "Vendor"), a wholly-owned subsidiary of the Company, as vendor, Vigorous World Limited (the "Purchaser") as purchaser, the Company as guarantor of the Vendor and Hanny Holdings Limited as guarantor of the Purchaser, pursuant to which the Vendor agrees to sell 50% of the shareholding in ITCP (China) and a corresponding amount of the Vendor's loans due by ITCP (China) to the Vendor, the terms and conditions thereof and the transactions contemplated thereunder (including the signing of the Shareholders' Agreement and the provision of up to HK\$150 million as shareholder's loan pursuant to the Shareholders' Agreement) be and are hereby approved, confirmed and ratified; and
- (b) the board of directors of the Company (the "Board") be and is hereby authorised to do all such acts and things and sign all such documents and to take such steps as it considers necessary or expedient or desirable in connection with or to give effect to the Agreement and to implement the transactions contemplated thereunder (including the signing of the Shareholders' Agreement and the provision of up to HK\$150 million as shareholder's loan pursuant to the Shareholders' Agreement) and to agree to such variation, amendment or waiver as are, in the opinion of the Board, in the interest of the Company."

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

Hong Kong, 27th October, 2010

* *For identification purpose only*

NOTICE OF THE SGM

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.

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