THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

Capitalised terms used on this cover page shall have the same meanings as those defined in the section headed "Definitions" in this Offer Document.

If you are in any doubt as to any aspect of this Offer Document or the Offer, you should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your Shares, you should at once hand this Offer Document, together with the accompanying form of proxy and Form of Acceptance to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or registered institution in securities, or other agent through whom the sale or the transfer was effected for onward transmission to the purchaser(s) or transferee(s).

This document should be read in conjunction with the accompanying Form of Acceptance, the contents of which form part of the terms and conditions of the Offer.

ITC PROPERTIES

德祥地產集團有限公司*

ITC PROPERTIES GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code : 199)

(I) CONDITIONAL VOLUNTARY OFFER BY OPTIMA CAPITAL LIMITED ON BEHALF OF ITC PROPERTIES GROUP LIMITED TO REPURCHASE UP TO 260,000,000 SHARES AT A PRICE OF HK$2.60 PER SHARE (OF WHICH HK$0.60 WILL BE SATISFIED BY CASH AND THE BALANCE OF HK$2.00 WILL BE SATISFIED BY WAY OF THE LOAN NOTES); AND (II) APPLICATION FOR WHITEWASH WAIVER BY SELECTIVE CHOICE INVESTMENTS LIMITED

Financial adviser to ITC Properties Group Limited

OPTIMA CAPITAL

Optima Capital Limited

Independent financial adviser to the Independent Board Committee and the Independent Shareholders

第一上海
FIRST SHANGHAI GROUP
FIRST SHANGHAI CAPITAL LIMITED
第一上海融資有限公司

A letter from the Board is set out on pages 7 to 20 of this Offer Document. A letter from Optima Capital containing, among other things, details of the terms of the Offer is set out on pages 21 to 31 of this Offer Document. A letter from the Independent Board Committee to the Independent Shareholders is set out on pages 32 to 33 of this Offer Document. A letter from First Shanghai containing its opinion and advice to the Independent Board Committee and the Independent Shareholders is set out on pages 34 to 67 of this Offer Document.

Custodians, nominees and trustees who would, or otherwise intend to, forward this Offer Document and/or the accompanying Form of Acceptance to any jurisdiction outside Hong Kong should read carefully the paragraph headed "Overseas Shareholders" in the letter from Optima Capital and in Appendix I to this Offer Document.

A notice convening the SGM to be held at Shop B27, Basement, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong on Friday, 20th January, 2012 at 10:00 a.m. is set out on pages SGM-1 to SGM-3 of this Offer Document. A form of proxy for use at the SGM is enclosed herein. Whether or not you intend to attend and vote at the SGM in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it 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 practicable but in any event not less than 48 hours before the time appointed for holding the SGM or any adjourned meeting (as the case may be). Such form of proxy for use at the SGM is also published on the respective websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.itcproperties.com). Completion and return of the form of proxy will not preclude you from attending and voting at the SGM or at any adjourned meeting (as the case may be) in person should you so wish.

* *For identification purpose only*

3rd January, 2012

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Accompanying documents

- **Form of proxy for the SGM**
- **Form of Acceptance**

The timetable set out below is indicative only and is subject to change. Any changes to the timetable will be announced by the Company.

Offer Period begins	Monday, 28th November, 2011
Despatch of this Offer Document	Tuesday, 3rd January, 2012
Latest time to lodge form of proxy for the SGM	10:00 a.m. on Wednesday, 18th January, 2012
SGM	10:00 a.m. on Friday, 20th January, 2012
Announcement of the results of the SGM and whether the Offer has become unconditional	Friday, 20th January, 2012
Latest time to lodge the Form of Acceptance *(Note 1)*	4:00 p.m. on Friday, 3rd February, 2012
Closing date of the Offer *(Note 2)*	Friday, 3rd February, 2012
Announcement of the results of the Offer	no later than 7:00 p.m. on Friday, 3rd February, 2012
Latest date for despatch of cheques and the Loan Notes to the accepting Qualifying Shareholders and (if applicable) return of the Title Document(s) for those Shares tendered but not repurchased under the Offer *(Note 3)*	Monday, 13th February, 2012

Notes:

1. *Assuming that the Offer and the Whitewash Waiver are approved by the Independent Shareholders at the SGM and the Offer becomes unconditional, the Offer will remain open for acceptance for a period of not less than 14 days thereafter.*

2. *In case where valid acceptances of the Offer is less than 260,000,000 Shares on the closing date of the Offer, the Company reserves its right to extend the Offer Period until such date as it may determine in accordance with the Codes (or as permitted by the Executive in accordance with the Codes). The Company will issue an announcement in relation to any extension of the Offer Period. In any event, where the Offer Period is extended, the Offer will remain open for acceptance for not less than 14 days after the announcement thereof in accordance with the Codes.*

3. *Remittances for the total amounts due to the accepting Qualifying Shareholders under the Offer (subject to deduction of seller's ad valorem stamp duty payable on the Shares repurchased from such accepting Qualifying Shareholders) will be made by the Company within 10 days of the close of the Offer. If the Offer Period is extended as mentioned in Note 2 above, the latest date for despatch of cheques and the Loan Notes to the accepting Qualifying Shareholders and (if applicable) return of the Title Document(s) for those Shares tendered but not repurchased under the Offer will be extended accordingly.*

All references to date and time contained in this Offer Document refer to Hong Kong time.

In this Offer Document, unless the context otherwise requires, the following expressions have the following meanings:

"2013 CBs"	the 3.25% convertible notes due 2013 issued by the Company in 2011 with an aggregate outstanding principal amount of HK$619,050,000 as at the Latest Practicable Date
"acting in concert"	has the meaning ascribed thereto under the Codes
"Announcement"	the announcement dated 28th November, 2011 issued by the Company in respect of, among other things, the Offer and the Whitewash Waiver
"Assured Entitlement(s)"	the minimum number of Shares which will be repurchased from each Qualifying Shareholder under the Offer
"Board"	the board of Directors
"CCASS"	The Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited
"Codes"	the Takeovers Code and the Repurchases Code
"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)
"Conditions"	the conditions to which the Offer is subject as set out under the paragraph headed "Conditions to the Offer" in the letter from Optima Capital contained in this Offer Document
"Director(s)"	the director(s) of the Company
"Dr. Charles Chan"	Dr. Chan Kwok Keung, Charles, the chairman and an executive director of ITC, the controlling shareholder of ITC and a non-executive director of PYI
"Excess Number of Shares"	the number of Shares tendered for acceptance of the Offer by the relevant accepting Qualifying Shareholder which is in excess of his or her Assured Entitlement

"Excluded Shareholder(s)"	subject to the prior consent of the Executive, any Overseas Shareholders whose addresses, as shown on the Register as at the Latest Practicable Date, are located in a jurisdiction the laws of which prohibit the making of the Offer to such Overseas Shareholders or otherwise require the Company to comply with additional requirements which the Directors consider unduly onerous or burdensome, having regard to the number of the Overseas Shareholders involved in that jurisdiction and their shareholdings in the Company
"Executive"	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission or any of his delegates
"First Shanghai"	First Shanghai Capital Limited, a corporation licensed under the SFO to carry out type 6 (advising on corporate finance) regulated activity under the SFO, which has been appointed as the independent financial adviser by the Company with the approval of the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders regarding the terms of the Offer and the Whitewash Waiver
"Form(s) of Acceptance"	the form(s) of acceptance for use by the Qualifying Shareholder(s) for accepting the Offer
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	the independent committee of the Board comprising Mr. Ma Chi Kong, Karl, the non-executive Director, and two independent non-executive Directors, namely Mr. Wong Chi Keung, Alvin and Mr. Kwok Ka Lap, Alva, established to give recommendation to the Independent Shareholders regarding the terms of the Offer and the Whitewash Waiver
"Independent Shareholders"	Shareholders other than (i) Selective Choice and parties acting in concert with it and their respective associates; and (ii) those Shareholders who have a material interest or are involved in the Offer and the Whitewash Waiver and are required to abstain from voting on the proposed resolution approving the Offer and the Whitewash Waiver at the SGM pursuant to the Codes and the Listing Rules

"ITC"	ITC Corporation 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 : 372)
"Last Trading Day"	18th November, 2011, being the last trading day of the Shares on the Stock Exchange before publication of the Announcement
"Latest Acceptance Time"	the latest time for receipt by the Registrar of the Forms of Acceptance submitted by the Qualifying Shareholders, being 4:00 p.m. on Friday, 3rd February, 2012, or such later date as the Company may announce in accordance with the requirements of the Codes
"Latest Practicable Date"	30th December, 2011, being the latest practicable date prior to the despatch of this Offer Document for the purpose of ascertaining certain information contained in this Offer Document
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Loan Notes"	up to 260,000,000 loan notes to be issued by the Company in denomination of HK$2.00 each with an aggregate principal amount of HK$520,000,000, the principal terms of which are set out in the paragraph headed "Terms of the Loan Notes" in the letter from Optima Capital contained in this Offer Document
"Macau"	the Macau Special Administrative Region of the PRC
"Mr. Alan Chan"	Mr. Chan Yiu Lun, Alan, an executive Director, an executive director of ITC and PYI, an alternate director to Dr. Charles Chan who is a non-executive director of PYI, and the son of Dr. Charles Chan and Ms. Ng
"Mr. Alex Lai"	Mr. Lai Kwok Hung, Alex, a director of Selective Choice
"Mr. FY Chan"	Mr. Chan Fut Yan, the managing director of the Company, an executive Director, an executive director of ITC and a director of Selective Choice

"Ms. Chau"	Ms. Chau Mei Wah, Rosanna, the deputy chairman, the managing director and an executive director of ITC, and a director of Selective Choice
"Ms. Ng"	Ms. Ng Yuen Lan, Macy, the spouse of Dr. Charles Chan
"Offer"	the conditional voluntary offer being made by Optima Capital on behalf of the Company to repurchase up to 260,000,000 Shares from the Qualifying Shareholders at the Offer Price, subject to the terms and conditions set out in this Offer Document
"Offer Document"	this document containing the terms of the Offer and the notice of the SGM together with the form of proxy and, for the Qualifying Shareholders only, the Form of Acceptance
"Offer Period"	has the meaning ascribed thereto under the Codes applicable to the Offer
"Offer Price"	HK$2.60 per Share
"Optima Capital"	Optima Capital Limited, a corporation licensed to carry out Type 1 (dealings in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and the financial adviser to the Company in respect of the Offer
"Option(s)"	share option(s) granted by the Company under the Share Option Scheme
"Overseas Shareholder(s)"	Shareholder(s) whose address(es) as shown in the Register is(are) outside Hong Kong
"PRC"	the People's Republic of China, and for the purpose of this Offer Document, excluding Hong Kong, Macau and Taiwan
"PYI"	PYI Corporation 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 : 498)

"Qualifying Shareholder(s)"	Shareholder(s), other than Selective Choice and parties acting in concert with it (other than PYI) and the Excluded Shareholders, whose name(s) appear(s) on the Register
"Register"	the register of members of the Company
"Registrar"	Tricor Secretaries Limited, being the branch share registrar and transfer office of the Company in Hong Kong, whose address is situated at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong
"Relevant Period"	the period from 28th May, 2011, being the date falling six months before the date of the Announcement, up to and including the Latest Practicable Date
"Repurchases Code"	The Hong Kong Code on Share Repurchases
"Selective Choice"	Selective Choice Investments Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of ITC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	the special general meeting of the Company to be convened to consider and, if thought fit, approve the Offer and the Whitewash Waiver
"Share Option Scheme"	the share option scheme of the Company adopted on 26th August, 2002
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Surplus Shares"	being 260,000,000 Shares less the aggregate number of Shares in respect of which the Offer is accepted by the accepting Qualifying Shareholders under their respective Assured Entitlements
"Takeovers Code"	The Hong Kong Code on Takeovers and Mergers

"Title Document(s)"	the relevant Share certificate(s) and/or transfer receipt(s) and/or any document(s) of title with respect to the ownership of the Share(s) (and/or any satisfactory indemnity or indemnities required in respect thereof)
"Whitewash Waiver"	a waiver by the Executive in respect of the obligation of Selective Choice to make a mandatory general offer for all the issued Shares not already owned or agreed to be acquired by it and parties acting in concert with it in accordance with Rule 26 of the Takeovers Code and comparable offers for the 2013 CBs and the Options not already owned or agreed to be acquired by Selective Choice and parties acting in concert with it in accordance with Rule 13 of the Takeovers Code, which obligation may otherwise arise as a result of the completion of the Offer
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"%"	per cent.

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. Chan Yiu Lun, Alan

Non-executive Director:
Mr. Ma Chi Kong, Karl

Independent non-executive Directors:
Hon. Shek Lai Him, Abraham, *SBS, JP* *(Vice Chairman)*
Mr. Wong Chi Keung, Alvin
Mr. Kwok Ka Lap, Alva

Registered office:
Clarendon House
Church Street
Hamilton HM 11
Bermuda

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

3rd January, 2012

To the Shareholders and, for information only, the holders of the Options and the 2013 CBs

Dear Sir or Madam,

(I) CONDITIONAL VOLUNTARY OFFER BY OPTIMA CAPITAL LIMITED ON BEHALF OF ITC PROPERTIES GROUP LIMITED TO REPURCHASE UP TO 260,000,000 SHARES AT A PRICE OF HK$2.60 PER SHARE (OF WHICH HK$0.60 WILL BE SATISFIED BY CASH AND THE BALANCE OF HK$2.00 WILL BE SATISFIED BY WAY OF THE LOAN NOTES); AND (II) APPLICATION FOR WHITEWASH WAIVER BY SELECTIVE CHOICE INVESTMENTS LIMITED

INTRODUCTION

On 28th November, 2011, the Board announced that a conditional voluntary offer would be made by Optima Capital on behalf of the Company in compliance with the Repurchases Code, subject to fulfillment of the Conditions, to repurchase for cancellation up to 260,000,000 Shares, representing approximately 46.02% of the entire issued share capital of the Company as at the Latest Practicable Date. The Qualifying Shareholders might accept the Offer by lodging the Forms of Acceptance for the sale of their Shares to

* *For identification purpose only*

the Company at the Offer Price of HK$2.60 per Share, of which HK$0.60 would be satisfied by cash payment and the balance of HK$2.00 would be satisfied by way of the Loan Notes.

The Offer is subject to the Conditions including, among other things, the approval of the Offer and the Whitewash Waiver by the Independent Shareholders at the SGM by way of poll and the Executive granting the Whitewash Waiver to Selective Choice.

The purpose of this Offer Document is to provide you with, among other things, (i) detailed information relating to the Offer and the Whitewash Waiver; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders regarding the terms of the Offer and the Whitewash Waiver; (iii) a letter of advice from First Shanghai to the Independent Board Committee and the Independent Shareholders regarding the terms of the Offer and the Whitewash Waiver; (iv) a valuation report on the property interests held by the Group; (v) a valuation report on the Loan Notes; (vi) other information as required under the Codes and the Listing Rules; and (vii) a notice of the SGM.

The Form of Acceptance accompanying this Offer Document is for use only by the Qualifying Shareholders who wish to accept the Offer.

THE OFFER

A conditional voluntary offer is being made by Optima Capital on behalf of the Company to repurchase up to 260,000,000 Shares, representing approximately 46.02% of the entire issued share capital of the Company as at the Latest Practicable Date, from the Qualifying Shareholders at a price of HK$2.60 per Share, of which HK$0.60 will be satisfied by cash payment and the balance of HK$2.00 will be satisfied by the Company issuing the Loan Note. The Loan Notes are unsecured, bear interest at a fixed rate of 6% per annum and are due to mature and will automatically be redeemed on the day falling 36 months after the date of their issue at their principal amount plus accrued interest. The principal terms of the Loan Notes to be issued are further set out in the paragraph headed "Terms of the Loan Notes" in the letter from Optima Capital contained in this Offer Document.

The Shares to be repurchased under the Offer shall be free from all liens, charges, encumbrances, equitable interests, rights of pre-emption or other third party rights of any nature and together with all rights attaching thereto on or after the date of the Announcement (including the right to all dividends and distributions (if any) declared, made or paid on or after the date of the Announcement).

All Shares repurchased under the Offer will be cancelled.

CONDITIONS TO THE OFFER

The Offer is subject to the following conditions being fulfilled:

(a) the passing of the ordinary resolution by the Independent Shareholders approving the Offer and the transactions contemplated thereunder, and the Whitewash Waiver at the SGM by way of poll;

(b) the granting of consent by the holders of the 2013 CBs holding not less than 75% of the outstanding principal amount of the 2013 CBs in respect of, among other things, the Offer and the reduction in the issued share capital of the Company as a result thereof;

(c) the granting of the Whitewash Waiver by the Executive and all conditions (if any) attaching thereto being fulfilled; and

(d) the compliance by the Company with all legal and other requirements under the Listing Rules, the Codes and the laws of Bermuda applicable to the Offer and the transactions contemplated thereunder.

None of the Conditions can be waived. If any of the Conditions cannot be fulfilled by 31st March, 2012, the Offer will lapse.

The Executive has agreed to grant the Whitewash Waiver, subject to, among other things, the approval of the Independent Shareholders by way of poll at the SGM.

As at the Latest Practicable Date, none of the Conditions had been fulfilled.

Acceptances by the Qualifying Shareholders under the Offer will be irrevocable and cannot be withdrawn after the Offer is declared unconditional except otherwise decided by the Executive pursuant to the Codes.

THE OFFER PRICE

The Offer Price, being HK$2.60 per Share, values the entire issued share capital of the Company as at the Latest Practicable Date at approximately HK$1,468.8 million. The Offer Price represents:

(a) a premium of approximately 51.16% over the closing price of HK$1.720 per Share as quoted on the Stock Exchange on the Last Trading Day;

(b) a premium of approximately 53.66% over the average of the closing prices for the Shares as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Last Trading Day of approximately HK$1.692 per Share;

(c) a premium of approximately 50.55% over the average of the closing prices for the Shares as quoted on the Stock Exchange for the last 30 consecutive trading days up to and including the Last Trading Day of approximately HK$1.727 per Share;

(d) a premium of approximately 28.08% over the closing price of HK$2.030 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(e) a discount of approximately 38.18% to the audited consolidated net asset value per Share of approximately HK$4.206 as at 31st March, 2011 (based on the audited consolidated equity attributable to owners of the Company of approximately HK$2,376.3 million as at 31st March, 2011 and the 564,919,597 Shares in issue as at 31st March, 2011 and the Latest Practicable Date); and

(f) a discount of approximately 39.14% to the unaudited consolidated net asset value per Share of approximately HK$4.272 as at 30th September, 2011 (based on the unaudited consolidated equity attributable to owners of the Company of approximately HK$2,413.3 million as at 30th September, 2011 and the 564,919,597 Shares in issue as at 30th September, 2011 and the Latest Practicable Date).

OUTSTANDING SECURITIES OF THE COMPANY

As at the Latest Practicable Date, apart from the 564,919,597 Shares in issue, the Company had the following securities in issue:

(a) the 2013 CBs with an aggregate outstanding principal amount of HK$619,050,000, of which HK$589,050,000 were issued on 25th May, 2011 and would mature on 25th November, 2013, and HK$30,000,000 were issued on 10th June, 2011 and would mature on 10th December, 2013 respectively. The 2013 CBs are convertible into 281,386,361 new Shares at the prevailing conversion price of HK$2.20 per Share (subject to adjustments), carry interest at 3.25% per annum and will be redeemed at 105% of the outstanding principal amount on maturity and are currently held by the following persons:

Name	**HK$**
Selective Choice	70,400,000
Ms. Ng	297,000,000
Ms. Chau	11,000,000
Selective Choice and parties acting in concert with it	378,400,000
Eight other holders of the 2013 CBs who are independent of and not acting in concert with Selective Choice	240,650,000
Total	**619,050,000**

(b) Options entitling the holders thereof to subscribe for a total of 19,300,000 Shares at the exercise price of HK$2.22 per Share. According to the terms and conditions of the Share Option Scheme, 50% of the Options are vested and shall be exercisable during the period from 29th March, 2011 to 28th March, 2014 and the balance of the Options not vested or exercised shall become exercisable during the period from 29th March, 2012 to 28th March, 2014. The Options are currently held by the following persons:

Name	*Notes*	**Number of Options**
Mr. FY Chan	*1*	2,900,000
Mr. Alan Chan	*2*	1,500,000
Ms. Chau	*3*	1,500,000
Mr. Alex Lai	*4*	330,000
Selective Choice and parties acting in concert with it		6,230,000
Mr. Cheung Hon Kit	*5*	3,900,000
Mr. Cheung Chi Kit	*6*	2,100,000
Mr. Ma Chi Kong, Karl	*7*	370,000
Mr. Wong Chi Keung, Alvin	*8*	370,000
Mr. Kwok Ka Lap, Alva	*8*	370,000
Certain directors of the subsidiaries of the Company		1,950,000
Other holders of the Options who are independent of and not acting in concert with Selective Choice		4,010,000
Total		**19,300,000**

Notes:

1. *Mr. FY Chan is the managing director of the Company, an executive Director, an executive director of ITC and a director of Selective Choice.*

2. *Mr. Alan Chan is an executive Director, an executive director of ITC and PYI, an alternate director to Dr. Charles Chan who is a non-executive director of PYI, and the son of Dr. Charles Chan and Ms. Ng.*

3. *Ms. Chau is the deputy chairman, the managing director and an executive director of ITC, and a director of Selective Choice.*

4. *Mr. Alex Lai is a director of Selective Choice.*

5. *Mr. Cheung Hon Kit is the chairman of the Company, an executive Director and a former executive director of ITC who retired on 19th August, 2011.*

6. *He is an executive Director.*

7. *He is a non-executive Director.*

8. *They are independent non-executive Directors.*

Save as disclosed above, as at the Latest Practicable Date, none of the Company, the Directors or any parties acting in concert with any of them have any outstanding options or derivatives in respect of the securities in the Company nor had they borrowed or lent any relevant securities of the Company.

Save for the 155,026,874 Shares, the 2013 CBs with an aggregate outstanding principal amount of HK$378.4 million and the 6,230,000 Options held by Selective Choice and parties acting in concert with it as disclosed above, as at the Latest Practicable Date, Selective Choice and parties acting in concert with it did not hold or have control or direction over any other relevant securities (as defined under the Takeovers Code) of the Company, including any outstanding options or derivatives in respect of the securities in the Company, nor had they borrowed or lent any relevant securities of the Company.

SHAREHOLDING STRUCTURE OF THE COMPANY

The table below shows the shareholding structure of the Company as at the Latest Practicable Date and the possible changes upon completion of the Offer, on the basis of public information available to the Company as at the Latest Practicable Date and with the assumptions as described below:

	As at the Latest Practicable Date		As at completion of the Offer (assuming (i) full acceptance of the Offer by the public Shareholders only; and (ii) no conversion of the 2013 CBs nor exercise of the vested Options before the close of the Offer)		As at completion of the Offer (assuming (i) full acceptance of the Offer by all Qualifying Shareholders (including PYI); and (ii) full conversion of the 2013 CBs and exercise of the vested Options before the close of the Offer)	
	(Shares)	*(Approx. %)*	*(Shares)*	*(Approx. %)*	*(Shares)*	*(Approx. %)*
Selective Choice	139,583,474	24.71	139,583,474	45.78	139,583,474	33.53
PYI *(Note 1)*	6,177,000	1.09	6,177,000	2.02	3,047,937	0.73
Dr. Charles Chan	6,066,400	1.07	6,066,400	1.99	6,066,400	1.46
Ms. Chau	3,200,000	0.57	3,200,000	1.05	3,200,000	0.77
Selective Choice and parties acting in concert with it *(Note 2)*	155,026,874	27.44	155,026,874	50.84	151,897,811	36.49
Mr. Cheung Hon Kit *(Note 3)*	14,202,000	2.51	14,202,000	4.66	14,202,000	3.41
Public Shareholders	395,690,723	70.05	135,690,723	44.50	250,211,147	60.10
Total	564,919,597	100.00	304,919,597	100.00	416,310,958	100.00

Notes:

1. *PYI is an associated company of ITC.*

2. *Selective Choice and parties acting in concert with it (including Dr. Charles Chan, Ms. Ng, Ms. Chau, Mr. FY Chan, Mr. Alan Chan and Mr. Alex Lai but excluding PYI) have severally undertaken to the Company not to accept the Offer, acquire any Shares, dispose of any of their respective holdings of the Shares and the 2013 CBs (as the case may be), nor to exercise the conversion rights under the 2013 CBs and/or the Options (as the case may be) held by them respectively before the close or lapse of the Offer.*

3. *Mr. Cheung Hon Kit, the chairman of the Company and an executive Director, has undertaken to the Company not to accept the Offer nor to dispose of any of his holdings of the Shares before the close or lapse of the Offer.*

4. *Mr. Cheung Hon Kit, Mr. Cheung Chi Kit, Mr. Ma Chi Kong, Karl, Mr. Wong Chi Keung, Alvin and Mr. Kwok Ka Lap, Alva, who are the Directors and the holders of the Options, have severally undertaken to the Company not to exercise the Options held by them respectively before the close or lapse of the Offer.*

5. *Certain directors of the subsidiaries of the Company have severally undertaken to the Company not to exercise the Options held by them respectively before the close or lapse of the Offer.*

Save as disclosed above, as at the Latest Practicable Date, neither the Directors nor any parties acting in concert with any of them owned, controlled or directed any Shares. The Directors confirm that, as at the Latest Practicable Date, (i) there was no arrangement as referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) in relation to the Shares or shares of Selective Choice and any parties acting in concert with it, and which might be material to the Offer; and (ii) there was no agreement or arrangement to which the Company, Selective Choice or any parties acting in concert with Selective Choice was a party which related to circumstances in which it might or might not invoke or seek to invoke a pre-condition or a condition to the Offer.

REASONS FOR THE OFFER

Over the recent years, the Shares have been trading at a substantial discount to the net asset value per Share. Based on the consolidated financial statements of the Group, the audited consolidated equity attributable to owners of the Company per Share was approximately HK$4.206 as at 31st March, 2011 and the unaudited consolidated equity attributable to owners of the Company per Share was approximately HK$4.272 as at 30th September, 2011. However, the Shares have been trading at the prices ranging from HK$2.24 to HK$1.60 per Share over the past twelve months preceding the date of the Announcement, representing discounts ranging from approximately 47.57% to 62.55% to the unaudited consolidated net asset value per Share as at 30th September, 2011.

As at 30th September, 2011, the Group had bank balances and cash of over HK$600 million. The Directors consider that the terms of the Offer (including the Offer Price) are fair and reasonable and it would be in the interests of both the Company and the Shareholders to return part of the surplus fund to the Qualifying Shareholders by way of the Offer since it will:

(a) enhance the consolidated net asset value per Share;

(b) provide opportunities for those Qualifying Shareholders who wish but are not able to dispose of any of their Shares due to the low liquidity in the trading of the Shares to realise part of their investments in the Company at a premium over the market price of the Shares;

(c) provide opportunities for those Qualifying Shareholders who wish to retain their holdings and participate in the future prospects of the Group to increase their proportionate interests in the Company with enhanced net asset value per Share and future earnings attributable to each Share held by them after the Offer; and

(d) enable the Group to retain adequate fund in the Group for future expansion by satisfying part of the Offer Price by way of the Loan Notes.

After taking into consideration the present cash resources of the Group, cash flow projection of the Group for the foreseeable future, the Offer Price and the financial effects of the Offer on the Group, the Directors consider repurchasing up to a maximum of 260,000,000 Shares is in the interest of the Company and the Shareholders as a whole.

WHITEWASH WAIVER

As at the Latest Practicable Date, Selective Choice and parties acting in concert with it were beneficially interested in an aggregate of 155,026,874 Shares, representing approximately 27.44% of the issued share capital of the Company. Other than PYI which held 6,177,000 Shares, representing approximately 1.09% of the issued share capital of the Company as at the Latest Practicable Date, Selective Choice and parties acting in concert with it have severally undertaken to the Company that they would not accept the Offer. As shown in the table set out in the paragraph headed "Shareholding structure of the Company" above, the interest in the Company's issued share capital held by Selective Choice and parties acting in concert with it may increase from its current level of approximately 27.44% to a maximum of approximately 50.84%, depending upon the level of acceptance of the Offer and the conversion/exercise of the 2013 CBs or the Options.

Rule 32 of the Takeovers Code and Rule 6 of the Repurchases Code provide that where, as a result of share repurchase, a shareholder's proportionate interest in the voting rights of the repurchasing company increases, such increase will be treated as an acquisition of voting rights for the purposes of the Takeovers Code. As the interests of Selective Choice and parties acting in concert with it in the Company's issued share capital may increase to 30% or above after completion of the Offer, an obligation under Rule 26 of the Takeovers Code to make a mandatory general offer for all the issued Shares not already owned or agreed to be acquired by Selective Choice and parties acting in concert with it may arise. Selective Choice would also be required under Rule 13 of the Takeovers Code to make comparable offers for all the 2013 CBs and the Options not already owned or agreed to be acquired by it and parties acting in concert with it. In this regard, Selective Choice has made an application to the Executive for the Whitewash Waiver and the Executive has agreed to grant the Whitewash Waiver, subject to, among other things, the approval of the Independent Shareholders by way of poll at the SGM.

If the Whitewash Waiver is approved by the Independent Shareholders and if, upon completion of the Offer, the aggregate shareholding of Selective Choice and parties acting in concert with it in the Company exceeds 50%, Selective Choice and parties acting in concert with it may further increase their shareholdings in the Company without incurring any further obligation under Rule 26 of the Takeovers Code to make a general offer.

The Offer and the Whitewash Waiver will be subject to the approval of the Independent Shareholders at the SGM by way of poll. The granting of the Whitewash Waiver by the Executive and the approval of the Whitewash Waiver by the Independent Shareholders are the Conditions of the Offer. If the Whitewash Waiver is not approved by the Independent Shareholders or if it is not granted by the Executive, the Offer will lapse.

FINANCIAL EFFECTS OF THE OFFER

The following financial information is extracted from the unaudited pro forma financial information of the Group as set out in Appendix III to this Offer Document.

(i) Net asset value

Based on the unaudited pro forma financial information of the Group as set out in Appendix III to this Offer Document, upon completion of the Offer (assuming full acceptance of the Offer and 260,000,000 Shares had been repurchased on 30th September, 2011), the adjusted unaudited pro forma consolidated net assets of the Group attributable to owners of the Company is expected to be as follows:

	Immediately before completion of the Offer *(Note 1)* *HK$'000*	**Immediately following completion of the Offer** *(Note 2)* *HK$'000*
Unaudited consolidated net assets of the Group attributable to owners of the Company as at 30th September, 2011	2,413,308	1,831,604
Number of Shares in issue	564,919,597	304,919,597
Adjusted unaudited consolidated net asset value per Share	HK$4.27	HK$6.01

Notes:

1. *Being unaudited balances as of 30th September, 2011.*

2. *Being pro forma balances as if the repurchase of 260,000,000 Shares had been completed on 30th September, 2011. Details of the adjustments are set out in Appendix III to this Offer Document.*

The Offer involves cash payment of HK$156 million and issue of the Loan Notes in the aggregate principal amount of HK$520 million with a fair value of approximately HK$421.7 million based on the valuation report issued by RHL Appraisal Limited as set out in Appendix V to this Offer Document. Taking into account the estimated expenses of approximately HK$4.0 million to be incurred in connection with the Offer, the adjusted unaudited consolidated net asset value of the Group attributable to owners of the Company is expected to be reduced by HK$581.7 million. Since the Offer Price is lower than the adjusted unaudited consolidated net asset value per Share, the Offer will therefore increase the adjusted unaudited consolidated net asset per Share from approximately HK$4.27 to HK$6.01 per Share assuming full acceptance of the Offer for 260,000,000 Shares.

(ii) Basic and diluted earnings per Share

Based on the pro forma financial information of the Group as set out in Appendix III to this Offer Document, the unaudited pro forma consolidated profit attributable to owners of the Company for the year ended 31st March, 2011 (assuming full acceptance of the Offer and 260,000,000 Shares had been repurchased on 1st April, 2010) is expected to be as follows:

	Immediately before completion of the Offer *(Note 1)* *HK$'000*	**Immediately following completion of the Offer** *(Note 2)* *HK$'000*
Consolidated profit attributable to owners of the Company for the year ended 31st March, 2011	80,455	20,725
Weighted average number of Shares in issue	547,407,268	287,407,268
Basic and diluted earnings per Share	HK$0.15	HK$0.07

Notes:

1. *Being audited balances for the year ended 31st March, 2011.*

2. *Being pro forma balances as if the repurchase of 260,000,000 Shares had been completed on 1st April, 2010. Details of the adjustments are set out in Appendix III to this Offer Document.*

3. *The Loan Notes will bear interest at a fixed coupon rate of 6% per annum which will be payable annually in arrears on 31st December with the last payment being made on their maturity date. The discount rate and the resulting fair value of the Loan Notes (assuming full acceptance of the Offer for 260,000,000 Shares) based on the valuation report issued by RHL Appraisal Limited as set out in Appendix V to this Offer Document is 14.2% and HK$421.7 million respectively. The difference between the fair value of HK$421.7 million and the face value of the Loan Notes of HK$520 million will cause less reduction to the net asset value of the Group upon the issue of the Loan Notes but such difference will subsequently be made up by the increase in interest expenses of the Loan Notes due to the difference in the fixed coupon rate and the effective interest rate.*

The basic and diluted earnings per Share will decrease from HK$0.15 to HK$0.07 assuming full acceptance of the Offer for 260,000,000 Shares. The Directors are of the view that the decrease in the adjusted basic and diluted earnings per Share is not materially adverse to the Group as such decrease is mainly attributable to the impact of effective interest expense of the Loan Notes which will have no impact on the cashflow of the Group.

(iii) Liabilities

As at 30th September, 2011, the Group had total bank and other borrowings of approximately HK$1,014.8 million and cash and cash equivalents of approximately HK$638.4 million. The net debts of the Group (being total bank and other borrowings net of cash and cash equivalents) were approximately HK$376.4 million while its total liabilities were approximately HK$2,151.9 million, comprising current liabilities of approximately HK$1,509.6 million. Assuming full acceptance of the Offer for 260,000,000 Shares, the net debts of the Group immediately after completion of the Offer will increase to approximately HK$958.1 million and its total liabilities will become HK$2,573.6 million assuming that the Group's bank balances are utilised to the extent of HK$160 million in respect of the Offer and the Loan Notes in the aggregate principal amount of HK$520 million with a fair value of approximately HK$421.7 million are issued. The gearing ratio of the Group is approximately 15.6% based on the Group's total net debts to net assets value as at 30th September, 2011, which will increase to 52.3% immediately after completion of the Offer. The Directors are of the view that although the gearing ratio of the Company will increase from 15.6% to 52.3% resulting from the Offer, such ratio remains low in light of the business nature and scale of operation of the Group. The Directors consider the Group's financial position and liquidity remain healthy and there will be no material adverse financial effect on the Group resulting from the implementation of the Offer.

(iv) Working capital

As at 30th September, 2011, the Group had cash and cash equivalents of approximately HK$638.4 million. Assuming full acceptance of the Offer for 260,000,000 Shares, the total estimated cash payment of the Offer and the total estimated expenses in relation to the Offer will be HK$156 million and approximately HK$4 million respectively. Accordingly, the Offer (assuming full acceptance of the Offer for 260,000,000 Shares) will reduce the working capital available to the Group by up to approximately HK$160 million.

As at 30th September 2011, the Group's net current assets (being current assets less current liabilities) was approximately HK$344.6 million. The Offer (assuming full acceptance of the Offer for 260,000,000 Shares) will reduce the net current assets of the Group from approximately HK$344.6 million to HK$184.6 million.

The Directors are of the view that the implementation of the Offer will not have material adverse effect on the working capital of the Group. The Directors confirm that the Group will have sufficient working capital to meet its normal operating requirement after completion of the Offer.

INFORMATION ON THE GROUP

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

INTENTION OF THE COMPANY AND SELECTIVE CHOICE

It is the intention of the Company and Selective Choice to maintain the listing of the Shares on the Stock Exchange. Following the close or lapse of the Offer, as the case may be, the Company and Selective Choice intend to continue with the existing businesses of the Group. The Company and Selective Choice do not intend to introduce any major changes by reason only of the Offer to the existing operations and management structure of the Group including the continued employment of the employees of the Group and the redeployment of the fixed assets of the Group.

The Stock Exchange has stated that if, upon the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public, or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, then it will consider exercising its discretion to suspend trading of the Shares on the Stock Exchange. The Directors have undertaken to the Stock Exchange that they will take necessary steps to ensure sufficient public float of the Shares exists after the close of the Offer.

RECOMMENDATION

The Independent Board Committee comprising the non-executive Director, Mr. Ma Chi Kong, Karl, and all the independent non-executive Directors (other than Hon. Shek Lai Him, Abraham, *SBS, JP*, by virtue of his also being the independent non-executive director of ITC), namely Mr. Wong Chi Keung, Alvin and Mr. Kwok Ka Lap, Alva, has been established to advise the Independent Shareholders on the terms of the Offer and the Whitewash Waiver. First Shanghai has been appointed as the independent financial adviser by the Company with the approval of the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in this regard.

Your attention is drawn to the letter of recommendation from the Independent Board Committee as set out on pages 32 to 33 of this Offer Document. Your attention is also drawn to the letter of advice from First Shanghai as set out on pages 34 to 67 of this Offer Document which contains, among other things, its advice to the Independent Board Committee and the Independent Shareholders as to whether the terms of the Offer and the Whitewash Waiver are fair and reasonable, as to voting on the Offer and the Whitewash Waiver and as to acceptance of the Offer, and the principal factors and reasons considered by it in arriving at such advice.

First Shanghai, the independent financial adviser, is of the opinion that the terms of the Offer and granting of the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole. Accordingly, First Shanghai advises the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM approving the Offer and the Whitewash Waiver and to accept the Offer.

Having considered the factors and reasons considered by, and the opinion of, First Shanghai as stated its letter of advice, the Independent Board Committee is of the opinion that the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned and that the Offer and the grant of the Whitewash Waiver by the Executive, which is one of the Conditions of the Offer, are in the interests of the Company and the Shareholders as a whole. The Independent Board Committee therefore recommends the Independent Shareholders to vote in favour of the proposed resolution to approve the Offer and the WhitewashWaiver at the SGM. The Independent Board Committee also concurs with the advice of First Shanghai and recommend the Independent Shareholders to accept the Offer.

GENERAL

Your attention is also drawn to the terms of the Offer as set out in Appendix I to this Offer Document, the valuation reports on the properties of the Group and the Loan Notes, and the financial and other information as set out in the appendices to this Offer Document.

Shareholders are advised to consider the detailed terms of the Offer and read, among other things, the letter of recommendation from the Independent Board Committee and the letter of advice from First Shanghai contained in this Offer Document before deciding whether to vote for or against the resolution in respect of the Offer and the Whitewash Waiver to be proposed at the SGM. Shareholders should also note that their voting decision on the resolution to be proposed at the SGM relating to the Offer and the Whitewash Waiver shall not affect their investment decision as to whether to accept the Offer or not. If the Shareholders are in any doubt as to any aspect of the Offer or as to the action to take, they should seek independent professional advice.

SGM

The Offer is conditional upon, among other things, the passing of the ordinary resolution by way of a poll to approve the Offer and the Whitewash Waiver by the Independent Shareholders, either voting in person or by proxy, at the SGM.

The SGM will be convened at Shop B27, Basement, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong on Friday, 20th January, 2012 at 10:00 a.m. to consider and, if thought fit, approve the proposed resolution in connection with the Offer and the Whitewash Waiver.

A notice convening the SGM is set out on pages SGM-1 to SGM-3 of this Offer Document and a form of proxy for use at the SGM is also enclosed. Whether or not you intend to attend the SGM in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Registrar not less than 48 hours before the time appointed for holding the SGM or any adjourned meeting (as the case may be). Such form of proxy for use at the SGM is also published on the respective websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.itcproperties.com). Completion and return of the form of proxy will not preclude you from attending and voting at the SGM or at any adjourned meeting (as the case may be) in person should you so wish.

In accordance with the requirements of Rule 2.9 of the Takeovers Code and Rule 13.39(4) of the Listing Rules, the votes for the resolution by the Independent Shareholders at the SGM must be taken by poll. Selective Choice and parties acting in concert with it, who in aggregate held 155,026,874 Shares, the 2013 CBs with an aggregate outstanding principal amount of HK$378,400,000 and 6,230,000 Options as at the Latest Practicable Date, shall abstain from voting on the resolution approving the Offer and the Whitewash Waiver at the SGM. Mr. Cheung Hon Kit, who is the chairman of the Company and an executive Director, held 14,202,000 Shares and 3,900,000 Options as at the Latest Practicable Date. He will also abstain from voting in respect of the resolution approving the Offer and the Whitewash Waiver at the SGM.

As at the Latest Practicable Date, no person had irrevocably committed to vote for or against the Offer or the Whitewash Waiver at the SGM.

Independent Shareholders should note that even if they vote in favour of the resolution to be proposed at the SGM, they are free nonetheless to accept or not to accept the Offer.

Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

WARNING

The Offer is conditional upon, among other things, the passing of the ordinary resolution by the Independent Shareholders to approve the Offer and the Whitewash Waiver at the SGM by way of poll. If the Offer and the Whitewash Waiver are not approved by the Independent Shareholders at the SGM, the Offer will lapse.

Dealings in the Shares will continue notwithstanding the Offer has not become unconditional. During such period, persons dealing in the Shares will bear the risk that the Offer may lapse.

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

OPTIMA CAPITAL

Suite 1501, 15th Floor
Jardine House
1 Connaught Place
Central
Hong Kong

3rd January, 2012

To the Shareholders and, for information only,
the holders of the Options and the 2013 CBs

Dear Sir or Madam,

(I) CONDITIONAL VOLUNTARY OFFER BY OPTIMA CAPITAL LIMITED ON BEHALF OF ITC PROPERTIES GROUP LIMITED TO REPURCHASE UP TO 260,000,000 SHARES AT A PRICE OF HK$2.60 PER SHARE (OF WHICH HK$0.60 WILL BE SATISFIED BY CASH AND THE BALANCE OF HK$2.00 WILL BE SATISFIED BY WAY OF THE LOAN NOTES); AND (II) APPLICATION FOR WHITEWASH WAIVER BY SELECTIVE CHOICE INVESTMENTS LIMITED

INTRODUCTION

We, Optima Capital Limited, act as financial adviser to the Company in respect of the Offer. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as defined in the Offer Document.

On 28th November, 2011, the Board announced that a conditional voluntary offer would be made by Optima Capital on behalf of the Company in compliance with the Repurchases Code, subject to fulfillment of the Conditions, to repurchase for cancellation up to 260,000,000 Shares, representing approximately 46.02% of the entire issued share capital of the Company as at the Latest Practicable Date. The Qualifying Shareholders might accept the Offer by lodging the Forms of Acceptance for the sale of their Shares to the Company at the Offer Price of HK$2.60 per Share, of which HK$0.60 would be satisfied by cash payment and the balance of HK$2.00 would be satisfied by the Company by way of the Loan Notes.

The Shares to be repurchased by the Company will not exceed 260,000,000 Shares. There is no minimum number of Shares proposed to be repurchased under the Offer.

This letter sets out the details of the terms of the Offer. Further details of the terms and conditions of the Offer are set out in Appendix I to this Offer Document and the accompanying Form of Acceptance.

THE OFFER

Principal terms of the Offer

A conditional voluntary offer is being made by Optima Capital on behalf of the Company to repurchase up to 260,000,000 Shares, representing approximately 46.02% of the entire issued share capital of the Company as at the Latest Practicable Date, from the Qualifying Shareholders at a price of HK$2.60 per Share, of which HK$0.60 will be satisfied by cash payment and the balance of HK$2.00 will be satisfied by the Company issuing the Loan Notes. The principal terms of the Loan Notes to be issued are set out in the paragraph headed "Terms of the Loan Notes" below.

The Shares to be repurchased under the Offer shall be fully paid, free from all liens, charges, encumbrances, equitable interests, rights of pre-emption or other third party rights of any nature and together with all rights attaching thereto on or after the date of the Announcement (including the right to all dividends and distributions (if any) declared, made or paid on or after the date of the Announcement).

The Offer is made in full compliance with the Repurchases Code and the maximum amount payable by the Company in cash under the Offer is HK$156 million, which will be financed by internal resources of the Group. Optima Capital confirms that sufficient financial resources are available to the Company to enable it to satisfy acceptances of the Offer in full.

All Shares repurchased under the Offer will be cancelled.

THE OFFER PRICE

The Offer Price, being HK$2.60 per Share, values the entire issued share capital of the Company as at the Latest Practicable Date at approximately HK$1,468.8 million. The Offer Price represents:

(a) a premium of approximately 51.16% over the closing price of HK$1.720 per Share as quoted on the Stock Exchange on the Last Trading Day;

(b) a premium of approximately 53.66% over the average of the closing prices for the Shares as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Last Trading Day of approximately HK$1.692 per Share;

(c) a premium of approximately 50.55% over the average of the closing prices for the Shares as quoted on the Stock Exchange for the last 30 consecutive trading days up to and including the Last Trading Day of approximately HK$1.727 per Share;

(d) a premium of approximately 28.08% over the closing price of HK$2.030 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(e) a discount of approximately 38.18% to the audited consolidated net asset value per Share of approximately HK$4.206 as at 31st March, 2011 (based on the audited consolidated equity attributable to owners of the Company of approximately HK$2,376.3 million as at 31st March, 2011 and the 564,919,597 Shares in issue as at 31st March, 2011 and the Latest Practicable Date); and

(f) a discount of approximately 39.14% to the unaudited consolidated net asset value per Share of approximately HK$4.272 as at 30th September, 2011 (based on the unaudited consolidated equity attributable to owners of the Company of approximately HK$2,413.3 million as at 30th September, 2011 and the 564,919,597 Shares in issue as at 30th September, 2011 and the Latest Practicable Date).

TERMS OF THE LOAN NOTES

The principal terms of the Loan Notes are as follows:

Issuer:	The Company
Denomination:	In denomination of HK$2.00 each
Aggregate principal amount:	Up to 260,000,000 Loan Notes with an aggregate principal amount of HK$520,000,000
Maturity:	The Loan Notes are due to mature and will automatically be redeemed on the day falling 36 months after the date of their issue at their principal amount plus accrued interest.
Interest:	The Loan Notes will bear interest at a fixed rate of 6% per annum, and such interest will be paid annually in arrears on 31st December with the last payment being made on the maturity date.

Listing: In order to provide liquidity for the holders of the Loan Notes, the Company will consider seeking a listing of the Loan Notes on the Stock Exchange or other recognised stock exchange(s) at a later date following the close of the Offer. As the number of acceptance of the Offer cannot be ascertained before the close of the Offer, the Company cannot ascertain whether or not the Loan Notes can fulfill the listing requirements of the Stock Exchange or other recognised stock exchange(s). The Company will explore the possibility of a listing of the Loan Notes after completion of the Offer, and reserves the right to seek a listing of the Loan Notes. Accordingly, the Shareholders should be aware that the Loan Notes may remain unlisted until their maturity. If a listing of the Loan Notes is being sought, a further announcement in this respect will be made by the Company at the relevant time.

Transfer, transmission and registration: The Loan Notes shall be transferrable upon issue of the certificates of the Loan Notes in whole (in amounts and integral multiples of HK$2.00) or in part by execution of a form of transfer in a specific form or in such other form as may be approved by the Board (such blank form of transfer will be annexed to the Loan Notes or be available upon request from the office of the Registrar, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong. Tricor Secretaries Limited is also the registrar of the Loan Notes).

The certificates of the Loan Notes contain provisions relating to the transfer, transmission and registration of the Loan Notes. The fee for splitting, transfer, transmission and registration of the Loan Notes is HK$2.50 per certificate issued or cancelled (whichever is the higher), payable by the holder or transferee of the Loan Notes who tenders the Loan Notes certificate(s) to the Registrar for splitting, transfer, transmission and registration. Transfers of the Loan Notes must be executed by both the transferor and the transferee and any related fees and stamp duty payable thereon will be payable by the transferor and/or the transferee, as the case may be. New certificate(s) of the Loan Notes will be available for collection after ten (10) business days of the duly executed form of transfer and the relevant Loan Notes certificate(s) duly received by the Registrar for registration.

Should the holders of the Loan Notes have any enquiries regarding the splitting, transfer, transmission and registration of the Loan Notes, such holders may contact the Registrar, Tricor Secretaries Limited, at (852) 2980-1333 between 9:00 a.m. and 6:00 p.m. from Mondays to Fridays (other than public holidays).

According to the valuation report issued by RHL Appraisal Limited as set out in Appendix V to this Offer Document, the fair value of the Loan Notes as at 31st October, 2011 amounted to HK$421,704,000.

UNDERTAKINGS

Selective Choice, an indirect wholly-owned subsidiary of ITC, and parties acting in concert with it (including Dr. Charles Chan, Ms. Ng, Ms. Chau, Mr. FY Chan, Mr. Alan Chan, Mr. Alex Lai and PYI) held in aggregate 155,026,874 Shares, the 2013 CBs with an aggregate outstanding principal amount of HK$378,400,000 and 6,230,000 Options as at the Latest Practicable Date. Selective Choice and parties acting in concert with it (other than PYI) have severally undertaken to the Company that they will not accept the Offer, acquire any Shares, dispose of any of the 148,849,874 Shares in aggregate and/or the 2013 CBs with an aggregate outstanding principal amount of HK$378,400,000 held by them respectively, nor exercise the conversion rights under the aforesaid 2013 CBs and/or the 6,230,000 Options in aggregate (as the case may be) held by them respectively before the close or lapse of the Offer. As at the Latest Practicable Date, the board of directors of PYI had not indicated to the Company whether PYI would accept the Offer or not.

Mr. Cheung Hon Kit, the chairman of the Company and an executive Director, has undertaken to the Company not to accept the Offer nor to dispose of any of his holdings of 14,202,000 Shares before the close or lapse of the Offer.

Mr. Cheung Hon Kit, Mr. Cheung Chi Kit, Mr. Ma Chi Kong, Karl, Mr. Wong Chi Keung, Alvin and Mr. Kwok Ka Lap, Alva, who are the Directors and the holders of an aggregate of 7,110,000 Options, have severally undertaken to the Company not to exercise the Options held by them respectively before the close or lapse of the Offer.

Certain directors of the subsidiaries of the Company who are the holders of an aggregate of 1,950,000 Options have severally undertaken to the Company not to exercise the Options held by them respectively before the close or lapse of the Offer.

As at the Latest Practicable Date, no person had irrevocably committed to accept the Offer.

ASSURED ENTITLEMENTS AND SCALING DOWN ARRANGEMENT ON EXCESS ACCEPTANCES

In view of the aforesaid undertakings and assuming no 2013 CBs and vested Options as at the Latest Practicable Date are converted or exercised (as the case may be) during the Offer Period, the Qualifying Shareholders will be assured of being able to sell to the Company under the Offer approximately 64.70% of the Shares they hold as at the close of the Offer (to be rounded down to the nearest whole number of Share), i.e. 1,940 Shares for every board lot of 3,000 Shares held by each Qualifying Shareholder.

In the event that all the 2013 CBs and the vested Options outstanding as at the Latest Practicable Date are fully converted or exercised (as the case may be) by the holders other than Selective Choice and parties acting in concert with it, the Directors and certain directors of the subsidiaries of the Company during the Offer Period, the number of Shares that the Qualifying Shareholders will be assured of being able to sell to the Company under the Offer will be reduced to approximately 50.66% of the Shares they hold as at the close of the Offer (to be rounded down to the nearest whole number of Share), i.e. 1,519 Shares for every board lot of 3,000 Shares held by each Qualifying Shareholder.

Qualifying Shareholders may accept the Offer in respect of some or all of their holdings of Shares, subject to the scaling down mechanism described below.

The number of Shares which may be repurchased from a particular accepting Qualifying Shareholder may exceed his or her Assured Entitlement if any other Qualifying Shareholder either tenders no acceptance in respect of the Offer or accepts the Offer in respect of fewer Shares than is represented by his or her Assured Entitlement.

In the event that the total number of Shares acceded to the Offer exceeds 260,000,000 Shares, the Company will repurchase Shares in excess of the Assured Entitlements of the accepting Qualifying Shareholders on a pro rata basis in accordance with the following formula (save that the Company may in its absolute discretion round such figure up or down with the intention of avoiding (as far as practicable) Shares being held by the Qualifying Shareholders in odd lots or fractional entitlements):

$$\frac{(260{,}000{,}000 - A) \times C}{B}$$

where

A = Total number of Shares which the Qualifying Shareholders have validly acceded to the Offer in respect of the Assured Entitlements

B = Total number of Shares which the Qualifying Shareholders have validly acceded to the Offer in excess of the Assured Entitlements

C = Excess Number of Shares of the relevant Qualifying Shareholder

The decision of the Company as to any scaling down of acceptances of the Offer in excess of the Assured Entitlements and as to the treatment of odd lots or fractional entitlements will be conclusive and binding on all the Shareholders.

In the event that the total number of Shares acceded to the Offer is less than or equal to 260,000,000 Shares, acceptances of the Offer in excess of the Assured Entitlements will be taken up in full.

CONDITIONS TO THE OFFER

The Offer is subject to the following conditions being fulfilled:

(a) the passing of the ordinary resolution by the Independent Shareholders approving the Offer and the transactions contemplated thereunder, and the Whitewash Waiver at the SGM by way of poll;

(b) the granting of consent by the holders of the 2013 CBs holding not less than 75% of the outstanding principal amount of the 2013 CBs in respect of, among other things, the Offer and the reduction in the issued share capital of the Company as a result thereof;

(c) the granting of the Whitewash Waiver by the Executive and all conditions (if any) attaching thereto being fulfilled; and

(d) the compliance by the Company with all legal and other requirements under the Listing Rules, the Codes and the laws of Bermuda applicable to the Offer and the transactions contemplated thereunder.

None of the Conditions can be waived. If any of the Conditions cannot be fulfilled by 31st March, 2012, the Offer will lapse.

The Executive has agreed to grant the Whitewash Waiver, subject to, among other things, the approval of the Independent Shareholders by way of poll at the SGM.

As at the Latest Practicable Date, none of the Conditions had been fulfilled.

Acceptances by the Qualifying Shareholders under the Offer will be irrevocable and cannot be withdrawn after the Offer is declared unconditional except otherwise decided by the Executive pursuant to the Codes.

The Offer is not conditional on any minimum number of Shares tendered for acceptance.

OVERSEAS SHAREHOLDERS

This Offer Document will not be filed under the applicable securities or equivalent legislation or rules of any jurisdictions other than Hong Kong.

As the Offer to the persons not resident in Hong Kong may be affected by the laws of the relevant jurisdictions, the Overseas Shareholders should inform themselves about and observe all applicable legal or regulatory requirements and, where considered necessary, seek legal advice.

Based on the Register as at the Latest Practicable Date, there were two Overseas Shareholders with registered addresses in one jurisdiction outside Hong Kong, being the British Virgin Islands. The Board had made enquiries regarding the legal restrictions under the applicable securities legislation of such jurisdiction and the requirements of the relevant body or stock exchange with respect to the Offer in relation to such Overseas Shareholders. The legal advisers to the Company in respect of the laws of the British Virgin Islands advised that no local regulatory compliance would be required to be made in that jurisdiction for the Company to extend the Offer to the Overseas Shareholders who resided in that jurisdiction. Accordingly, the Offer will be extended to such Overseas Shareholders with addresses in the British Virgin Islands. Therefore, there is no Excluded Shareholder.

It is the responsibility of each Overseas Shareholder who wishes to accept the Offer to satisfy himself or herself as to the full observance of the laws of the relevant jurisdiction in that connection, including the obtaining of any governmental or other consents which may be required or the compliance with other necessary formalities or legal requirements. Acceptance of the Offer by any person will be deemed to constitute a representation and warranty from such person to the Company that the local laws and requirements have been complied with. Shareholders should consult their professional advisers if in doubt.

PROCEDURES FOR ACCEPTANCE

If the Offer is declared unconditional, all Qualifying Shareholders will be able to tender their Shares for acceptance under the Offer for a period of at least 14 days thereafter. The Company reserves the right to extend the time for acceptance of tenders under the Offer to the maximum period allowed under the Codes.

In order to accept the Offer, Qualifying Shareholders should complete and return the accompanying Form of Acceptance in accordance with the instructions set out in this Offer Document and the instructions printed on the Form of Acceptance. The instructions set out in this Offer Document should be read together with the instructions printed on the Form of Acceptance (which instructions form part of the terms of the Offer).

The duly completed Form of Acceptance should be forwarded, together with the Title Documents for not less than the number of Shares in respect of which the relevant Qualifying Shareholder wishes to accept the Offer, by post or by hand to the Registrar, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, in an envelope marked "**ITC Properties Group Limited – Repurchase Offer**" as soon as possible after receipt of the Form of Acceptance but in any event so as to reach the Registrar by no later than 4:00 p.m. on Friday, 3rd February, 2012, or such later time and/or date as the Company may, with the prior consent of the Executive, decide and announce.

No acknowledgement of receipt of any Form of Acceptance or Title Documents will be given.

Only one Form of Acceptance may be submitted by each Qualifying Shareholder to the Registrar. Acceptances duly received will become irrevocable and cannot be withdrawn after the Offer has been declared unconditional.

ODD LOTS ARRANGEMENTS

The existing board lot size of 3,000 Shares per board lot will remain unchanged after the Offer. Qualifying Shareholders should note that acceptance of the Offer may result in their holding of odd lots of Shares.

For the purpose of avoiding odd lots holding by the accepting Qualifying Shareholders, Success Securities Limited, whose address is at Suite 1603–7, 16/F., Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong (contact persons : Mr. Yim Siu Kei and/or Mr. Pang Wing Shing, telephone number : (852) 2598-1027) has been appointed by the Company as the designated broker to match sales and purchases of odd lot holdings of Shares in the market for a period of six (6) weeks from the completion of the Offer to enable odd lot Shareholders to dispose of their odd lots or to top up their odd lots to whole board lots of 3,000 Shares. Odd lot Shareholders should note that the matching of odd lots of Shares is not guaranteed.

STAMP DUTY

Seller's ad valorem stamp duty at the rate of HK$1.00 for every HK$1,000 or part thereof of the consideration due on the repurchase of Shares will be deducted from the amount payable to the relevant accepting Qualifying Shareholders. The Company will arrange for payment of the stamp duty on behalf of the accepting Qualifying Shareholders to the Stamp Duty Office in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

NOMINEE REGISTRATION OF SHARES

Shareholders whose Shares are held by a nominee company should note that the Board will regard the nominee company as a single Shareholder according to the Register. With a view to having equality of treatment of all Qualifying Shareholders, those registered holders of Shares who hold Shares as nominees for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. In order for the beneficial owners of the Shares, whose investments are registered in nominee names (including those whose interests in the Shares are held through CCASS), to accept the Offer, it is essential that they provide instructions to their nominee agents of their intentions with regard to the Offer. Qualifying Shareholders with their Shares held by a nominee company may consider whether they would like to arrange registration of the relevant Shares in the names of the beneficial owners.

RESPONSIBILITY FOR DOCUMENTS

All communications, notices, Forms of Acceptance, the Title Documents and remittances to be delivered or sent by, to or from any Shareholder will be delivered or sent by, to and from them, or their designated agents, at their risk and none of the Company, Optima Capital, the Registrar or any of their respective directors or any other persons involved in the Offer accepts any liability for any loss or any other liabilities whatsoever which may rise as a result.

SETTLEMENT

Pursuant to Rule 20.1 of the Takeovers Code, the Shares represented by acceptances of the Offer shall be paid for by the Company as soon as possible but in any event within 10 days of the later of the date on which the Offer becomes, or is declared, unconditional and the date of receipt of a duly completed Form of Acceptance accompanied by the Title Documents. As the Offer allows the accepting Qualifying Shareholders to tender acceptance in respect of Excess Number of Shares subject to the scaling down mechanism, the Company is not able to determine how many Shares will be repurchased from the accepting Qualifying Shareholders under the Excess Number of Shares until after the close of the Offer. In this regard, the Company has made an application for, and has been granted by the Executive, a waiver from strict compliance with Rule 20.1 of the Takeovers Code and the Offer Price for the Shares repurchased by the Company from each accepting Qualifying Shareholder shall be paid in the manner described below.

Subject to the Offer becoming unconditional and provided that a duly completed Form of Acceptance, accompanied by the Title Documents, is received by the Registrar by no later than the Latest Acceptance Time and is or is deemed to be in order, the Registrar will inform the relevant accepting Qualifying Shareholder by post of the repurchase of his/her Shares, including the number of Shares to be purchased under his/her Assured Entitlement and his/her Excess Number of Shares, if any. At the same time, the Registrar will send, by ordinary post at that accepting Qualifying Shareholder's risk, a remittance for such total amount as is due to that accepting Qualifying Shareholder under the Offer (subject to deduction of seller's ad valorem stamp duty due on the repurchase of the Shares from the amount payable in cash) within 10 days of the close of the Offer.

If the Excess Number of Shares of an accepting Qualifying Shareholder has not been purchased by the Company in full, the Title Documents in respect of the balance of such Shares or a replaced certificate therefor will be returned or sent to such accepting Qualifying Shareholder by ordinary post at his/her risk within 10 days of the close of the Offer.

If the Offer does not become unconditional, the Title Documents will be returned and/or sent to each accepting Qualifying Shareholder (by ordinary post at that accepting Qualifying Shareholder's own risk) within 10 days of the lapse of the Offer. In such an event, the Company will make an announcement in accordance with the Codes and send a notice of lapse of the Offer to the Shareholders. Where any accepting Qualifying Shareholder has sent one or more transfer receipt(s) and in the meantime one or more Share certificate(s) has/have been collected on that Qualifying Shareholder's behalf in respect thereof, that Qualifying Shareholder will be sent (by ordinary post at his/her own risk) such Share certificate(s) in lieu of the transfer receipt(s).

TAX IMPLICATIONS

Qualifying Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of their acceptance of the Offer. It is emphasised that none of the Company, its ultimate beneficial owners and parties acting in concert with any of them, Optima Capital, First Shanghai, the Registrar or any of their respective directors or any persons involved in the Offer accepts responsibility for any taxation effects on, or liabilities of, any person or persons as a result of his/their acceptance(s) of the Offer.

SGM

A notice convening the SGM to be held at Shop B27, Basement, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong on Friday, 20th January, 2012, at 10:00 a.m., at which an ordinary resolution will be proposed for the purposes of considering and, if thought fit, approving the Offer and the Whitewash Waiver, is set out on pages SGM-1 to SGM-3 of this Offer Document.

GENERAL

Independent Shareholders are strongly advised to consider carefully the information in the letter from the Board, the recommendation of the Independent Board Committee and the advice from First Shanghai contained in this Offer Document, and to consult their professional advisers as they see fit.

Your attention is also drawn to the information set out in the appendices to this Offer Document which form part of this Offer Document.

Yours faithfully,
For and on behalf of
Optima Capital Limited
Beatrice Lung
Managing Director

德祥地產集團有限公司*

ITC PROPERTIES GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code : 199)

3rd January, 2012

To the Independent Shareholders

Dear Sir and Madam,

(I) CONDITIONAL VOLUNTARY OFFER BY OPTIMA CAPITAL LIMITED ON BEHALF OF ITC PROPERTIES GROUP LIMITED TO REPURCHASE UP TO 260,000,000 SHARES AT A PRICE OF HK$2.60 PER SHARE (OF WHICH HK$0.60 WILL BE SATISFIED BY CASH AND THE BALANCE OF HK$2.00 WILL BE SATISFIED BY WAY OF THE LOAN NOTES); AND (II) APPLICATION FOR WHITEWASH WAIVER BY SELECTIVE CHOICE INVESTMENTS LIMITED

We have been appointed as members of the Independent Board Committee to advise you in respect of the Offer and the Whitewash Waiver. Details of the Offer and the Whitewash Waiver are set out in the letter from the Board contained in the document of the Company dated 3rd January, 2012 (the "**Offer Document**"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Offer Document unless the context requires otherwise.

Your attention is drawn to the letter from Optima Capital set out on pages 21 to 31 of the Offer Document and Appendix I to the Offer Document containing the terms and conditions of the Offer, and the letter of advice from First Shanghai set out on pages 34 to 67 of the Offer Document, which contains its advice to us and the Independent Shareholders in respect of the Offer and the Whitewash Waiver, as well as the principal factors and reasons for its advice.

Having considered the factors and reasons considered by, and the opinion of, First Shanghai as stated in the aforementioned letter of advice, we are of the opinion that the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned and that the Offer and the grant of the Whitewash Waiver by the Executive, which is one of the Conditions of the Offer, are in the interests of the Company and the Shareholders as a whole. We therefore recommend the Independent Shareholders to vote in favour of the proposed resolution to approve the Offer and the Whitewash Waiver at the SGM.

* *For identification purpose only*

We also concur with the advice of First Shanghai and recommend the Independent Shareholders to accept the Offer. Notwithstanding our recommendations, as different Shareholders would have different investment criteria, objectives, risk preference and tolerance level and/or circumstances, we would recommend any Shareholder who may require advice in relation to any aspect of the Offer, or as to the action to be taken, to consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant, tax adviser or other professional adviser. The Independent Shareholders, in particular those who intend to accept the Offer, are reminded to note the recent fluctuation in the Share price after the release of the Announcement, and that there is no guarantee that the current market price of the Share will be lower than the Offer Price during and after the close of the Offer.

Yours faithfully,
Independent Board Committee
ITC Properties Group Limited

Ma Chi Kong, Karl	**Wong Chi Keung, Alvin**	**Kwok Ka Lap, Alva**
Non-executive Director	*Independent non-executive Director*	*Independent non-executive Director*

The following is the full text of a letter of advice from First Shanghai to the Independent Board Committee and the Independent Shareholders in relation to the terms of the Offer and the Whitewash Waiver, which has been prepared for the purpose of inclusion in this Offer Document.

第一上海
FIRST SHANGHAI GROUP
FIRST SHANGHAI CAPITAL LIMITED
第一上海融資有限公司

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

3rd January, 2012

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) CONDITIONAL VOLUNTARY OFFER BY OPTIMA CAPITAL LIMITED ON BEHALF OF ITC PROPERTIES GROUP LIMITED TO REPURCHASE UP TO 260,000,000 SHARES AT A PRICE OF HK$2.60 PER SHARE (OF WHICH HK$0.60 WILL BE SATISFIED BY CASH AND THE BALANCE OF HK$2.00 WILL BE SATISFIED BY WAY OF THE LOAN NOTES); AND (II) APPLICATION FOR WHITEWASH WAIVER BY SELECTIVE CHOICE INVESTMENTS LIMITED

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the terms of the Offer and the Whitewash Waiver, details of which are set out in the "Letter from Optima Capital" and the "Letter from the Board" contained in the offer document dated 3rd January, 2012 (the "**Offer Document**") issued by the Company to, among others, the Independent Shareholders, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Offer Document unless the context requires otherwise.

On 28th November, 2011, the Board proposed to make a conditional voluntary offer to repurchase up to 260,000,000 Shares (the "**Share Repurchase**"), representing approximately 46.02% of the entire issued share capital of the Company as at the Latest Practicable Date, from the Qualifying Shareholders by way of a general offer. The Offer will be made by Optima Capital on behalf of the Company at a price of HK$2.60 per Share, of which HK$0.60 will be satisfied by a cash payment and the balance of HK$2.00 will be satisfied by the Company issuing the Loan Notes.

Consideration for the Offer

The Offer Price, being HK$2.60 per Share, represents a premium of approximately 51.16% over the closing price of HK$1.720 per Share as quoted on the Stock Exchange on the Last Trading Day.

The maximum amount payable in cash by the Company under the Offer is HK$156.0 million, which will be financed by internal resources of the Group. The Loan Notes will mature on the day falling 36 months after the date of their issue and bear a fixed interest at 6% per annum. In order to provide liquidity for the holders of the Loan Notes, the Company will, depending on the level of the Loan Notes to be issued, consider seeking a listing of the Loan Notes on the Stock Exchange or other recognised stock exchange(s) at a later date following the close of the Offer. As the number of acceptance of the Offer cannot be ascertained before the close of the Offer, the Company cannot ascertain whether or not the Loan Notes can fulfill the listing requirements of the Stock Exchange or other recognized stock exchange(s). The Company will explore the possibility of a listing of the Loan Notes after completion of the Offer, and reserves the right to seek a listing of the Loan Notes. Accordingly, the Shareholders should be aware that the Loan Notes may remain unlisted until their maturity.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising the non-executive Director, Mr. Ma Chi Kong, Karl, and the two out of the three independent non-executive Directors (other than Hon. Shek Lai Him, Abraham, *SBS, JP*, by virtue of his also being the independent non-executive director of ITC), Mr. Wong Chi Keung, Alvin and Mr. Kwok Ka Lap, Alva, has been formed to advise the Independent Shareholders on the terms of the Offer and the Whitewash Waiver. We have been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Offer and the Whitewash Waiver and such appointment has been approved by the Independent Board Committee.

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied on the information and facts supplied, and the opinions expressed, by the Directors, which we have assumed to be true, accurate and complete. We have also sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and that the information which we have received is sufficient to enable us to reach our opinion and give the advice set out in this letter. We have no reason to doubt the truth and accuracy of the information provided to us or to believe that any material facts have been omitted or withheld. We have also assumed that all representations contained or referred to in the Offer Document were true at the date of the Offer Document. However, we have not conducted any independent investigation into the businesses and affairs of the Group.

We have not considered the tax implications on the Independent Shareholders of acceptance of the Offer since these depend on their individual circumstances. In particular, the Independent Shareholders who are overseas residents or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax position and, if in any doubt, should consult their own professional advisers.

In formulating our opinion, we have also made reference to some comparable companies (the "**Comparable Companies**"), which are listed on the Main Board of the Stock Exchange for analysis purpose and the relevant information was obtained from the website of the Stock Exchange (www.hkex.com.hk). We have assumed the truthfulness and accuracy of the information available to us regarding the Comparable Companies. We have not, however, carried out any independent verification of the information available to us regarding the Comparable Companies, nor have we conducted an independent investigation into the business and affairs, financial condition and future prospects of the Comparable Companies. Our opinion is necessarily based upon the financial, economic, market, regulatory and other conditions as they existed on, and the facts, information, representations, and opinions made available to us as of the Latest Practicable Date.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In assessing the terms of the Offer and the Whitewash Waiver in giving our recommendation to the Independent Board Committee and the Independent Shareholders, we have taken into account the following principal factors and reasons:

(I) THE OFFER

1. Reasons for and benefits of the Offer

As mentioned in the "Letter from the Board" in the Offer Document, the Shares have been trading at a substantial discount to the net asset value per Share over the recent years. Based on the consolidated financial statements of the Group, the audited consolidated equity attributable to owners of the Company per Share was approximately HK$4.206 as at 31st March, 2011 and the unaudited consolidated equity attributable to owners of the Company per Share was approximately HK$4.272 as at 30th September, 2011. However, the Shares have been trading at the prices ranging from HK$2.24 to HK$1.60 per Share over the past twelve months preceding the Last Trading Day, representing discounts ranging from approximately 47.57% to 62.55% to the unaudited consolidated net asset value per Share as at 30th September, 2011.

As at 30th September, 2011, the Group had bank balances and cash of over HK$600 million.

In this respect, the Directors (excluding the Independent Board Committee and Hon. Shek Lai Him, Abraham, *SBS, JP*, by virtue of his also being the independent non-executive director of ITC) consider that the terms of the Offer (including the Offer Price) are fair and reasonable and it would be in the interests of both the Company and the Shareholders to return part of the surplus fund to the Qualifying Shareholders by way of the Offer since it will:

(a) enhance the consolidated net asset value per Share;

(b) provide opportunities for those Qualifying Shareholders who wish but are not able to dispose of any of their Shares due to the low liquidity in the trading of the Shares to realise part of their investments in the Company at a premium over the market price of the Shares;

(c) provide opportunities for those Qualifying Shareholders who wish to retain their holdings and participate in the future prospects of the Group to increase their proportionate interests in the Company with enhanced net asset value per Share and future earnings attributable to each Share held by them after the Offer; and

(d) enable the Group to retain adequate fund in the Group for future expansion by satisfying part of the Offer Price by way of the Loan Notes.

The Offer is aimed to provide opportunities for those Qualifying Shareholders who wish but are not able to dispose of any of their Shares due to the low liquidity in the trading of the Shares to realise part of their investment in the Company at premium over the market price of the Shares. After taking into consideration the present cash resources, cash flow projection for the foreseeable future, the Offer Price and the financial effects of the Offer, the executive Directors consider repurchasing up to a maximum of 260,000,000 Shares is in the interest of the Company and the Shareholders as a whole. The executive Directors consider that the enhancement in the consolidated net asset value per Share would be in the interests of the Shareholders and is expected to be realised and reflected in the market of the Shares over time.

2. Business and financial information on the Group

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

Set out below is the summary of the audited/unaudited financial information of the Group for each of the two financial years ("**FY(s)**") ended 31st March, 2010 and 2011 as extracted from the Company's annual report for the FY 2011 (the "**Annual Report(s)**") and interim report for the six months ended 30th September, 2011 (the "**Interim Report**"):

	For the FY ended 31st March,		**For the six months ended 30th September,**
	2010	**2011**	**2011**
	HK$'000	*HK$'000*	*HK$'000*
	(audited)	*(audited)*	*(unaudited)*
Income statements			
Turnover	314,358	260,987	96,747
Gross profit	50,601	63,101	14,395
Gross profit margin	16.1%	24.2%	14.9%
Income from loan financing	14,758	15,023	9,831
Net gain/(loss) on financial instruments	170,663	8,475	(51,498)
Other income and gains	28,773	162,317	24,012
Increase in fair value of investment properties under development	76,882	136,622	57,213
Reversal of impairment losses on property interests	55,458	–	–
Impairment loss recognised on advance to a jointly controlled entity	(11,022)	–	–
Administrative expenses	(148,135)	(191,683)	(72,382)
Finance costs	(124,063)	(108,391)	(45,175)
Share of results of joint controlled entities	95	98	(77)
Share of results of associates	(11,050)	14,564	(26,718)
Profit/(loss) before taxation	102,960	100,126	(90,399)
Taxation	(108)	(20,290)	741
Profit/(loss) for the year/period	102,852	79,836	(89,658)
Non-controlling interests	–	619	493
Profit/(loss) for the year/period attributable to owners of the Company	102,852	80,455	(89,165)

	For the FY ended 31st March, 2010 HK$'000 (audited)	2011 HK$'000 (audited)	For the six months ended 30th September, 2011 HK$'000 (unaudited)
Statements of cash flow			
Operating cash flows before movements in working capital	53,171	(88,971)	N/A *(Note)*
Net cash from/(used in) operating activities	147,110	(72,354)	(95,906)
Net cash (used in)/from investing activities	(235,509)	688,188	703,997
Net cash generated/(used in) from financing activities	125,074	(470,221)	(277,522)
Net cash inflow	36,675	145,613	330,569
Cash and cash equivalents	160,661	306,531	638,446

	At 31st March, 2010 HK$'000 (audited)	2011 HK$'000 (audited)	At 30th September, 2011 HK$'000 (unaudited)
Balance sheets			
Non-current assets	2,672,995	2,299,246	2,717,072
Current assets	1,535,961	2,263,276	1,854,184
Current liabilities	(692,720)	(2,078,093)	(1,509,624)
Net current assets	843,241	185,183	344,560
Current ratio	2.2 times	1.1 times	1.2 times
Non-current liabilities	(1,394,413)	(101,601)	(642,264)
Non-controlling interests	(7,185)	(6,566)	(6,060)
Net assets (excluding non-controlling interests)	2,114,638	2,376,262	2,413,308

Note: The corresponding figure of operating cash flows before movements in working capital for the six months ended 30th September, 2011 has not been disclosed in the Interim Report.

3. Past operating and financial performance of the Group

The Group had been experiencing difficult operating environment over the past two FYs in 2010 and 2011 and the six months ended 30th September, 2011 mainly due to the global adverse economic environment as a consequence of the globally widespread volatility occurred in major financial markets of the world.

Review on operating performance

As extracted from the Annual Report, the Group's turnover for the FY 2011 was approximately HK$261.0 million, representing a decrease of approximately HK$53.4 million when compared to that of HK$314.4 million for the FY 2010, mainly due to fewer activities in securities trading during the FY 2011. However, the Group's gross profit improved from approximately HK$50.6 million in the FY 2010 to HK$63.1 million for the FY 2011.

Income from loan financing amounted to approximately HK$15.0 million for the FY 2011, similar to the corresponding amount of approximately HK$14.8 million in the FY 2010. The Group's property investment in Hong Kong had continued to benefit from the robust performance of the local property sector in 2010, amid low mortgage interest rates and an upward trend in inflation.

The Group's profit for the FY 2011 amounted to approximately HK$79.8 million as compared to that of approximately HK$102.9 million for the FY 2010. During the FY 2011, the Group recognised an increase in fair value of its investment properties of approximately HK$136.6 million. Owing to the compulsory land resumption by the PRC Government, the Group also recognised a compensation income of approximately HK$111.0 million from the cancellation of acquiring land use rights in Hengqin, Zhuhai, Guangdong Province, the PRC. By excluding such non-cash fair value adjustment gains on investment properties and financial instruments and one-off non-recurring income, the Group would have recorded a net loss of approximately HK$187.6 million for the FY 2011. Similarly, the Group also recognised (i) an increase in fair value of its investment properties and financial instruments of approximately HK$76.9 million and HK$38.6 million respectively; and (ii) reversal of impairment losses on property interests of approximately HK$55.5 million for the FY 2010, excluding which, it would have recorded a net loss of approximately HK$68.1 million. In short, according to the Annual Report, the Group has basically incurred net losses (i.e. after excluding those one-off compensation income and other non-cash fair value adjustment gains) of approximately HK$68.1 million and HK$187.6 million for the past two FYs 2010 and 2011 respectively. The Group has also established new branches in several cities of the PRC to pro-actively explore business opportunities. As a result, administrative expenses for the FY 2011 increased to approximately HK$191.7 million from the comparative amount of approximately HK$148.1 million for the FY 2010.

The Group's turnover for the six months ended 30th September, 2011 was approximately HK$96.7 million, representing a decrease of approximately HK$69.8 million when compared to that of approximately HK$166.5 million for the corresponding period in the FY 2010, mainly due to fewer sales of properties and activities in securities trading. Accordingly, the Group's gross profit decreased from approximately HK$24.3 million for the corresponding period in the FY 2010 to approximately HK$14.4 million for the six months ended 30th September, 2011.

The local property market for the six months ended 30th September, 2011 was relatively stable, so the Group has recognised an increase in fair value of investment properties of approximately HK$57.2 million as compared to that of approximately HK$102.6 million for the corresponding period in the FY 2011 due to the buoyant recovery during the same period in the FY 2010. The Group's share of losses of associates amounted to approximately HK$26.7 million mainly represented share of the associates' administrative expenses and other set-up cost since their investment projects were still at the development stages.

The Group recorded a net loss of approximately HK$89.7 million for the six months ended 30th September, 2011 as compared to a net profit of approximately HK$129.6 million for the corresponding period in the FY 2010. In addition to the above, other factors attributable to the net loss for the six months ended 30th September, 2011 included but not limited to: (i) a net loss on financial instruments of approximately HK$51.5 million mainly as a result of the European sovereign debt crisis and concerns over the world's sluggish recovery of economy; and (ii) a compensation income of approximately HK$119.1 million arising from the cancellation of acquisition of land use rights at Hengqin, Zhuhai recorded in the corresponding period in the FY 2010 was a non-recurring item and no similar item was recorded for the six months ended 30th September, 2011. Also by excluding the similar recognition of such non-cash fair value adjustment gain/(loss) on investment properties under development and financial instruments amounted to approximately HK$57.2 million and HK$(51.0) million respectively, the Group's net loss would supposedly increase to approximately HK$95.9 million for the six months ended 30th September, 2011.

Review of liquidity and financial positions

The Group has maintained a prudent funding and treasury policy with regard to its overall business operations. In addition to the convertible note payables, a variety of credit facilities were maintained to satisfy its commitments and working capital requirements.

The Group has monitored its liquidity requirement closely to ensure necessary arrangement for financing is made when appropriate. As at 31st March, 2010, the Group had net current assets of approximately HK$843.2 million (i.e. representing a current ratio of approximately 2.2 times), such healthy working capital position was slightly deteriorated to the corresponding amount of approximately HK$185.2 million as at 31st March, 2011 (i.e. representing a current ratio of merely 1.1 times), but still at an acceptable level. As at 30th September, 2011, the Group had a similar working capital position with a current ratio of approximately 1.2 times.

As at 31st March, 2011, the Group had interest-bearing bank borrowings, convertible note payables and obligations under finance leases in aggregate of approximately HK$1,387.8 million, and hence, an acceptable gearing ratio (which is calculated by aggregation of the interest-bearing bank borrowings, bank overdraft, convertible note payables and obligations under finance leases divided by the net asset value (excluding non-controlling interests) of the Group) of approximately 58.4% which had been improving during the FY 2011; while the same as at 31st March, 2010 accounted for approximately 90.5%. As at 30th September, 2011, the Group's gearing ratio (excluding liabilities associated with assets classified as held for sale) accounted for merely 28.6% of its net asset value (excluding non-controlling interests).

To further strengthen the Group's financial resources and liquidity, the Company completed the placing of 94 million new Shares at HK$1.60 each in June 2010, with net proceeds of approximately HK$146.1 million as general working capital for business development of the Group. In addition, the Group had repaid in full the zero coupon convertible notes in the outstanding principal amount of HK$488.5 million upon their maturity by its internal resources in August 2010. In order to retain financial resources for investment and working capital, on 21st February, 2011, the Company announced a proposed repurchase offer to the holders of the 1% convertible notes issued by the Company which were due on 15th June, 2011 with an aggregate outstanding principal amount of HK$906 million, the consideration of which would be settled by the Company issuing the 3.25% convertible notes with maturity date falling 30 months after the date of issue (the "**New Notes**"). As a result, an aggregate outstanding principal amount of approximately HK$589.1 million of the 1% convertible notes were repurchased, and the New Notes in the same principal amount were issued in settlement of the consideration thereof. In addition, an aggregate principal amount of HK$30.0 million of the New Notes was further issued to the subscribers through placing.

Prospects and outlook

As extracted from the Interim Report, the Directors considered that the global economy remained vulnerable given the lagging pace in the United States and Europe's recovery from the "Global Financial Crisis". In particular, the sovereign debt crisis in Euro Zone was spreading and deteriorating which increased the downside risk to the global economy. The common consensus was that these developed countries would remain in a period of low-growth in the coming next few quarters. With less demand of merchandises from the United States and Europe and after the imposition of various measures to contain asset prices, the economic momentum in the PRC also slowed down though there was still some continued growth in its economy. All in all, the existing global economy is highly volatile.

The imposition of restrictive measures by the Macau Government in June 2011 including special stamp duty and tightening in mortgage lending have substantially cooled down the property transactions with some moderations in property price. With an aim to enable the sustainable development of the local property market, similar cooling measures have also been initiated by Hong Kong Government which cast a wait-and see sentiment over the market and cool down residential property transactions with immediate effect. Notwithstanding the very uncertain economic environment globally resulting from a series of adverse factors as discussed above, barring unforeseen circumstances, the Group is still confident in capturing future gains from its investment portfolio. In our view, we are relatively pessimistic about the overall economic environment (including the property markets in the PRC and Hong Kong) and do not foresee there would be a turnaround situation within a short period of time, in view of the current extremely volatile market condition, the widely anticipated adverse economic environment globally and the difficult operating environment for the Group itself.

Subsequent to the six months ended 30th September, 2011, the Company announced on 4th November, 2011 that the Group had completed the disposal of 50% interest in Vastness Investment Limited (together with its subsidiaries, the "**Vastness Group**") in October 2011 pursuant to the sale and purchase agreement entered into on 7th July, 2011. As a result, the Group recorded (i) an estimated gain on disposal of approximately HK$172.0 million and gain from change in fair value in the Group's remaining 50% interest therein of approximately HK$172.0 million (subject to finalisation of audit); and (ii) a decrease of the bank borrowings of the Group by HK$325.0 million.

Conclusion

Based on the above operating performance and financial position, we noted that the Group had generally been experiencing a difficult operating environment which was basically in line with the overall global economic climate; while its scale of business operations in terms of turnover had been contracting and incurring net losses (i.e. after excluding those one-off compensation income and other non-cash fair value adjustment gains) over the past two FYs 2010 and 2011 and the six months ended 30th September, 2011. Also, we noted that the Group had not persistently generated meaningful operating cash inflow from its ordinary and usual course of business operations during the FY 2011 and the six months ended 30th September, 2011. If the situation could not be turned around in the near future, there might not be any improvement in the Group's earnings and cashflow position. However, the Group had net cash inflow amounted to approximately HK$36.7 million, HK$145.6 million and HK$330.6 million during the past two FYs 2010 and 2011 and the six months ended 30th September, 2011 respectively mainly deriving from its investing activities by disposal of subsidiaries and compensation from repossession of land in FY 2011.

4. The Offer Price

The Offer Price, being HK$2.60 per Share, values the entire issued share capital of the Company as at the Last Trading Day at approximately HK$1,468.8 million. The Offer Price represents:

		Price/value per Share	Premium/ (discount) at
		Approximately	*Approximately*
		HK$	*%*
(i)	The closing price as quoted on the Stock Exchange on the Last Trading Day	1.720	51.16
(ii)	The average closing price of the Shares as quoted on the Stock Exchange for the last 5 consecutive trading days up to and including the Last Trading Day	1.670	55.69
(iii)	The average closing price of the Shares as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Last Trading Day	1.692	53.66
(iv)	The average closing price of the Shares as quoted on the Stock Exchange for the last 30 consecutive trading days up to and including the Last Trading Day	1.727	50.55
(v)	The Group's audited consolidated net asset value per Share as at 31st March, 2011	4.206	(38.18)
(vi)	The Group's unaudited consolidated net asset value per Share as at 30th September, 2011	4.272	(39.14)
(vii)	The closing price of the Shares as quoted on Stock Exchange as at the Latest Practicable Date	2.030	28.08

Further terms and conditions of the Offer, including the procedures for acceptance, are set out in the "Letter from Optima Capital" of, and Appendix I to, the Offer Document.

5. Historical price performance of the Shares

In order to assess the fairness and reasonableness of the Offer Price, we have reviewed the movements in trading price of the Shares during the period from 1st November, 2010, being the 12 full calendar months immediately preceding the Last Trading Day (the "**Review Period**"), and up to the Latest Practicable Date. The closing prices of the Shares during the Review Period are shown as follows:

	Highest closing price *HK$*	**Lowest closing price** *HK$*	**Average daily closing price** *HK$*	**Number of trading days in each month/ period**
2010				
November	2.160	1.900	2.044	22
December	1.940	1.840	1.887	22
2011				
January	1.900	1.820	1.871	21
February	1.900	1.660	1.803	18
March	2.220	1.800	1.952	23
April	2.100	1.990	2.047	18
May	2.050	1.930	1.990	20
June	1.920	1.860	1.897	21
July	2.000	1.880	1.930	20
August	2.000	1.830	1.916	23
September	1.990	1.820	1.918	20
October	1.820	1.620	1.742	20
November (up to the Last Trading Day)	1.780	1.620	1.698	14
From 29th November to the Latest Practicable Date	2.050	1.860	2.004	22

Note: Trading in the Shares was suspended on 21st November, 2011 up to the date of the Announcement (both dates inclusive).

Source: the Stock Exchange's website

During the Review Period, the closing price of the Shares had been fluctuating narrowly between the lowest of HK$1.620 per Share, which was recorded on 4th October, 2011 due to the very limited transactions for the Shares during the month, to the highest of HK$2.220 per Share recorded on 30th March, 2011. None of the Shares was transacted for 12 trading days during the Review Period. The Offer Price had been well over the closing prices of the Shares throughout the Review Period with premium of approximately 60.5% and 17.1% when compared to the lowest closing price of HK$1.620 and the highest closing price of HK$2.22 per Share, respectively, during the Review Period.

We further noted that trading of the Shares on the Stock Exchange was suspended from 21st November, 2011 to 28th November, 2011 (both dates inclusive) pending for the release of the Announcement and the closing price of the Shares had still been staying at a relatively stable level of around HK$2.00 per Share at most of the time up to the Latest Practicable Date. As at the Latest Practicable Date, the closing price of the Share was HK$2.03, representing a considerable discount of approximately 21.9% to the Offer Price of HK$2.60 per Share. Based on such scenario, we consider that the recent Share price level shall be a meaningful benchmark for the purpose of analysing the fairness and reasonableness of the Offer Price.

We are aware that the Offer Price represents a significant premium over the recent market prices of the Shares and shall be attractive enough for the Independent Shareholders to accept the Offer, based on our consideration that the prevailing market price of the Shares has been fairly reflecting the value of the Shares. However, the Independent Shareholders should note that a substantial part of the consideration payable under the Offer will be settled by the Company by way of issuing the Loan Notes in denomination of HK$2.00 each.

We would like to remind the Independent Shareholders that although the Offer Price is generally well above the closing prices of the Shares throughout the Review Period, and represents a considerable premium over the closing price of the Shares on the Latest Practicable Date, there is no guarantee that the trading price of the Shares will persistently remain and be lower than the Offer Price during and after the Offer Period. The Independent Shareholders, in particular those who may wish to realise their investments in the Shares, are thus reminded to closely monitor the market price of the Shares during the Offer Period.

6. Liquidity of the Shares

The average daily number of Shares traded per month, and the respective percentages of the Shares' monthly trading volume during the Review Period as compared to (i) the total number of issued Shares held by the public Shareholders as at the Last Trading Day; and (ii) the total number of issued Shares as at the Last Trading Day are tabulated as follows:

	Total monthly trading volume of the Shares	Average trading volume of the Shares per trading day during the month	% of average daily trading volume of the Shares to the total issued Shares *(Note 1)*	% of average daily trading volume of the Shares to the total issued Shares held by the public Shareholders *(Note 2)*	Number of trading days in each month/ period
2010					
November	40,049,454	1,820,430	0.32%	0.46%	22
December	3,181,040	144,593	0.03%	0.04%	22
2011					
January	3,408,320	162,301	0.03%	0.04%	21
February	6,469,200	359,400	0.06%	0.09%	18
March	78,699,719	3,421,727	0.61%	0.86%	23
April	12,715,248	706,403	0.13%	0.18%	18
May	5,461,699	273,085	0.05%	0.07%	20
June	2,006,299	95,538	0.02%	0.02%	21
July	3,201,104	160,055	0.03%	0.04%	20
August	8,245,824	358,514	0.06%	0.09%	23
September	2,773,392	138,670	0.02%	0.04%	20
October	690,102	34,505	0.01%	0.01%	20
November (up to the Last Trading Day)	4,791,473	342,248	0.06%	0.09%	14
From 29th November to the Latest Practicable Date	10,634,191	483,372	0.09%	0.12%	22

Notes:

1. *Based on 564,919,597 issued Shares during the Review Period and up to the Latest Practicable Date.*

2. *Based on 395,690,723 issued Shares held by the public Shareholders as at the Latest Practicable Date.*

Source: the Stock Exchange's website

The above table illustrates that the average daily trading volume of the Shares per month was extremely thin during the entire Review Period and at all the time had been below 1.0% of (i) the total number of issued Shares as well as (ii) the total issued Shares held by the public Shareholders as at the Last Trading Day during the entire Review Period. Given that the Shares were totally illiquid during the entire Review Period even after the publication of the Announcement and up to the Latest Practicable Date, we consider that Independent Shareholders who may wish to realise their investment in the Company, especially those with relatively sizeable shareholdings, might not be able to do so without having an adverse impact on the market price level of the Shares. Therefore, we consider that the Offer provides an alternative for the Independent Shareholders who would like to realise their investment in the Shares, even though a substantial part of the consideration under the Offer would only settled by way of the Loan Notes.

For the above reason, there is no guarantee, or is unlikely, that the Independent Shareholders would be able to realise their investments in the Shares (especially those with relatively sizeable shareholdings) at a price much higher than the Offer Price.

Furthermore, those Independent Shareholders who, after considering the fact that the Company intends to continue with the existing businesses of the Group and does not intend to introduce any major changes to the existing operations and management structure of the Group by reason only of the Offer, are optimistic about the prospects of the Group after the Offer, may, having regard to their own circumstances, consider retaining all or any part of their Shares.

7. The Loan Notes

As part of the consideration of the Offer, the Company will issue to those Qualifying Shareholders who accept the Offer the Loan Notes with maximum aggregate principal amount of HK$520.0 million, subject to the level of acceptance of the Offer, and in denomination of HK$2.00 each.

Maturity

The Loan Notes are due to mature and will automatically be redeemed on the day falling 36 months after the date of their issue at their principal amount plus accrued interest.

Interest

The Loan Notes will bear interest at a fixed interest rate of 6% per annum (the "**6% Loan Interest**"), and such interest will be paid annually in arrears on 31st December with the last payment being made on the maturity date.

Security

We note that the Loan Notes are not secured by any assets of the Group as indemnities, mortgages or surety for the payment obligation of the Company under the Loan Notes.

Listing

In order to provide liquidity for the holders of the Loan Notes, the Company will consider seeking a listing of the Loan Notes on the Stock Exchange or other recognised stock exchange(s) at a later date following the close of the Offer. As the number of acceptance of the Offer cannot be ascertained before the close of the Offer, the Company cannot ascertain whether or not the Loan Notes can fulfill the listing requirements of the Stock Exchange or other recognised stock exchange(s).

The Company will explore the possibility of a listing of the Loan Notes after completion of the Offer, and reserves the right to seek a listing of the Loan Notes. Accordingly, the Shareholders should be aware that the Loan Notes may remain unlisted until their maturity. If a listing for the Loan Notes is being sought, a further announcement in this respect will be made by the Company at the relevant time.

We consider that the exploration for possible listing of the Loan Notes would provide greater flexibility for the Qualifying Shareholders who accept the Offer to deal with their Loan Notes subsequent to their relevant issue upon the closing of the Offer, but where and/or whether or not the listing of the Loan Notes taking place on its own does not affect the fairness and reasonableness of the Offer Price. Qualifying Shareholders who wish to accept the Offer should bear in mind that the possibility of listing for the Loan Notes on a stock exchange may not be effective.

Comparables

In order to assess the fairness and reasonableness of the terms of the Loan Notes, we preliminarily tried to compare with the issue of senior notes/notes or similar instruments (i.e. no conversion rights into shares of a company) by non-blue-chip property development/investment companies listed on the Main Board of the Stock Exchange (the "**Note Comparables**"), which are principally engaged in the similar nature of business activities to those of the Group and had obtained debt-financing from the market since 1st January, 2011 up to the Last Trading Day. Therefore, we have reviewed 14 recent Note Comparables (other than the first two Note Comparables, namely Powerlong Real Estate Holdings Limited and Skyfame Realty (Holdings) Limited listed below, 12 out of these 14 Note Comparables are listed on the Singapore Exchange Securities Trading Limited (the "**SGX-ST**")) with issuance of debt-financing instruments to the subscribers, which in our view, can form a fair and representative pool of samples for illustration purpose and additional reference by the Independent Shareholders for the general market practice of debt-financing in the properties related industry, on the basis that such Note Comparables shall, to the best of our effort and belief, represent an exhaustive list based on our selection and identification criteria, even though their coupon interest rates and debt-raising size were mostly far over that of the Loan Notes, failing which, no other meaningful published information and/or analysis can be provided to them. Given the shares of the 12 Note Comparables are listed on the Main Board of the Stock Exchange, while the trading platform at the SGX-ST is to provide flexibility for the note-holders to deal with their debt-securities, they are not directly comparable to the Loan Notes. However, we consider that where and/or whether or not the listing of the Loan Notes taking place on its own does not affect the terms of the Offer, and hence the fairness and reasonableness of the Offer Price. A summary of the relevant findings is set out below:

Date of announcement	**Company (Stock code)**	**Purpose of issuance and use of proceeds**	**Principal amount** *HK$ million*	**Subscription price at issue** *%*	**Interest rate (per annum)** *%*	**Maturity** *Year*
8/9/2011	Powerlong Real Estate Holdings Limited (1238)	To finance existing and new property projects and for general working capital purposes	1,000.0	99.45	13.80	2014
2/9/2011	Skyfame Realty (Holdings) Limited (59)	For funding working capital requirement, paying up the shortfall in the registered capital of its project company in the PRC and repayment of existing loans	200.0	100.0	20.00	2013
23/5/2011	Kaisa Group Holdings Limited (1638)	To finance acquisition of new land bank in China and real estate projects	2,340.0	100.0	13.50	2015
11/4/2011	Franshion Properties (China) Limited (817)	For working capital, refinancing of outstanding indebtedness, capital expenditures and other general corporate purposes	3,900.0	100.0	6.75	2021

Date of announcement	Company (Stock code)	Purpose of issuance and use of proceeds	Principal amount	Subscription price at issue	Interest rate (per annum)	Maturity
			HK$ million	*%*	*%*	*Year*
4/4/2011	SPG Land (Holdings) Limited (337)	For repayment of certain offshore loans and general corporate purposes	1,560.0	98.244	13.50	2016
31/3/2011	Longfor Properties Company Limited (960)	To finance its existing and new property projects and for general corporate purposes	5,850.0	100.0	9.50	2016
24/3/2011	KWG Property Holding Limited (1813)	To finance existing and new property projects	2,730.0	100.0	12.75	2016
2/3/2011	Shimao Property Holdings Limited (813)	To finance the redemption of the outstanding principal amount of its previous floating rate notes, repay other existing indebtedness, finance existing and new property development projects, and for general corporate purposes	2,730.0	100.0	11.00	2018
17/2/2011	Country Garden Holdings Company Limited (2007)	To fund existing and new property projects and for general corporate purposes	7,020.0	99.405	11.125	2018
20/1/2011	Kaisa Group Holdings Limited (1638)	To finance acquisition of new land bank in China and real estate projects	2,409.6	100.0	8.50	2014

Date of announcement	Company (Stock code)	Purpose of issuance and use of proceeds	Principal amount	Subscription price at issue	Interest rate (per annum)	Maturity
			HK$ million	*%*	*%*	*Year*
20/1/2011	Shui On Land Limited (272)	To fund capital expenditures related to its real estate operations and/or acquiring, developing, constructing or improving assets, real or personal property or equipment or repaying existing indebtedness	4,216.8	100.0	7.625	2015
14/1/2011	Evergrande Real Estate Group Limited (3333)	To fund repayment of onshore bank borrowings, to replenish cash reserves, to finance the existing and new property projects and for general corporate purposes	6,686.7	100.0	7.50	2014
14/1/2011	Evergrande Real Estate Group Limited (3333)		4,457.8	100.0	9.25	2016
9/1/2011	China SCE Property Holdings Limited (1966)	To finance new and existing projects and for general corporate purposes	2,409.6	98.244	10.50	2016
	Highest		**7,020.0**	**100.00**	**20.00**	**2021**
	Average		**3,393.6**	**99.79**	**11.09**	**2016**
	Median		**2,730.0**	**100.00**	**10.75**	**2016**
	Lowest		**200.0**	**98.244**	**6.75**	**2013**
28/11/2011	**The Company (199)**		**520.0**	**100.00**	**6.00**	**2015**

*Note: For the purpose of illustration only, amounts denominated in US$ and Renminbi ("**RMB**") in the above summary have been translated into HK$ at the respective exchange rates of US$1 = HK$7.80 and RMB0.83 = HK$1.*

Based on the above summary, we noted that the Note Comparables, on average and in general, with longer tenures have higher interest rates, which we consider mainly due to the greater potential uncertainty to be compensated. We further noted that the most extreme and exceptional case, namely Skyfame Realty (Holdings) Limited, with the shortest tenure in 2013 but the highest interest rate of 20.0%, in our view, was mainly due to its unsound operating performance with minimal revenue and net loss of approximately HK$18.9 million and HK$19.7 million respectively, based on its latest published interim report for the six months ended 30th June, 2011.

We have noted that the Note Comparables were issued at coupon interest rates ranging from 6.75% to 20.00% per annum, and generally, with sizeable debt raising amount of at least HK$1,000.0 million up to HK$7,020.0 million. To the best of our knowledge and belief, the funding cost of such market borrowers or lenders should, in general, be much higher than that of the major commercial banks in Hong Kong, on the grounds that commercial banks can obtain funding from the inter-bank lending market and/or their saving-account depositors at the lowest extent of merely 0.01% per annum based on their advantageous market positions in the banking sector, but this is not the case for either the relevant borrowers or lenders. Based on such scenario, in our view, the considerable wide range of coupon interest rates as well as debt raising size were mainly due to the various factors, including but not limited to, that the business prospects, profitability, funding cost and requirement, financial and cash flow positions, risk consideration with expected return of each of the relevant listed companies and/or independent market subscribers are not the same as, or directly comparable among each others of, the Note Comparables; because the terms and conditions in a debt-financing exercise may also vary on a case-by-case basis due to their individual situations and the arm's length negotiations between the borrower(s) and the lender(s) under the then prevailing market condition.

Based on our understanding, the prevailing prime lending rates offered by major commercial banks in Hong Kong range between 5.0% and 5.25% per annum. The Directors, having prudently reviewed the Group's overall funding cost and requirement, consider that by issuing the Loan Notes to the extent of HK$520.0 million with the 6% Loan Interest for settlement of substantial part of the consideration under the Offer could preserve the Group's cash resources immediately upon the closing of the Offer, so as to alleviate its immediate financial burden towards the Offer by delaying up to 36 months after the closing of the Offer, on the grounds that (i) the Offer Price of HK$2.60 per Share representing a significant premium over the recent closing price of the Shares throughout the Review Period; and (ii) the Company could not afford to pay an interest rate for the Loan Notes at a level much higher than the bench mark prime lending rate at up to 5.25% per annum, because it would alternatively choose to pay the full consideration under the Offer to the Qualifying Shareholders by obtaining bank borrowings from commercial banks at prime lending rate of up to 5.25% (i.e. below the 6% Loan Interest) per annum rather than offering a very much higher interest rate under the Loan Notes.

We consider that the 6% Loan Interest for the 36 months commencing from the date of issue of the Loan Notes is appropriate and justifiable by balancing between the Group's own cost of funding and reasonable return for debt securities to be expected by the Qualifying Shareholders, on the basis that (i) the prevailing prime interest rates offered by commercial banks range from 5.0% to 5.25% per annum, as the case may be; while (ii) the benchmark interest rates offered for saving-accounts and time deposits ranging from the lowest extent of 0.01% to not more than 2.0% per annum. On such basis, the Independent Shareholders should note that the acceptance of the Offer may imply that they have disposed of their Shares by first realising HK$0.60 per Share in cash; while the remaining HK$2.00 per Share would then be satisfied by way of a Loan Note with a fixed coupon interest rate of 6.0% per annum for 36 months irrespective of the number of Shares tendered for acceptance. As a result, the accepting Shareholder may avoid any probable risk of downward movement in the Share price in the coming future in view of the current extremely volatile market condition, the widely anticipated adverse economic environment globally and the difficult operating environment for the Group. Pursuant to the terms of the Offer, for illustration purpose and easy reference for the Independent Shareholders, if one board lot of 3,000 Shares tendered for acceptance is repurchased in full by the Company, it will be satisfied by cash payment of HK$1,800 and the issuance of Loan Notes of principal amount of HK$6,000. To the best of our knowledge and experience, such a minimal principal amount of the Loan Notes of HK$6,000 would very unlikely be able to get a high return on debt-securities or bank deposits in the open financial market comparable to the 6% Loan Interest.

We further consider that the 6% Loan Interest is exclusive for, and being part and parcel, of the Offer, which shall not be directly comparable with the higher coupon interest rates offered by those Note Comparables, on the grounds that, in our view, the Notes Comparables generally have their urgent funding needs to finance their operations as a consequence of the sluggish property markets in the PRC and Hong Kong, while the Company is now at a totally different situation. Accordingly, we are of the view that the 6% Loan Interest is appropriate, fair and reasonable for the Qualifying Shareholders who accept the Offer on the one hand, and in the interests of the Company and the Shareholders as a whole, on the other hand, particularly having considered the current tightening credit environment as a consequence of the volatile financial markets all over the world.

Valuation of fair value

The Loan Notes will bear the 6% Loan Interest as fixed coupon rate per annum which will be payable annually in arrear on 31st December with the last payment being made on their maturity date. According to the "Valuation on the Loan Notes" as set out in the Appendix V to the Offer Document, a qualified valuer, namely RHL Appraisal Limited (the "**Valuer**"), has reviewed the terms of the Loan Notes and other relevant market information. Based on such information, the Valuer has further estimated the fair value of the Loan

Notes as at 31st October, 2011 by applying the discounted cash flow method, and hence, by computing the present value of all future cash flows discounted by the prevailing market rate of interest for similar instruments at 14.2% per annum. The original aggregate principal amount of the Loan Notes at HK$520.0 million (assuming full acceptance of the Offer for 260,000,000 Shares) was evaluated by the Valuer with a fair value of approximately HK$421.7 million as at 31st October, 2011 (the "**Loan Note Fair Value**").

The difference between the Loan Note Fair Value of approximately HK$421.7 million and the face value of the Loan Notes of HK$520.0 million will cause less reduction to the net asset value of the Group upon the issue of the Loan Notes, but such difference will subsequently be made up by the increase in interest expenses of the Loan Notes due to the difference in the fixed coupon rate and the prevailing market rate of interest rate. In this respect, the portion of interest expenses at the effective interest rate over the fixed coupon rate is a non-cash fair value adjustment. Based on such Loan Note Fair Value, the amount of the Loan Notes for each Share would be assumed, as an assumption only, to decrease to approximately HK$1.62 each and the Offer Price, which in aggregation with the cash consideration of HK$0.60 per Share, would then amount to HK$2.22 per Share as if accepted, representing a premium of approximately 29.1% and 9.4% over the closing price of the Shares as at the Last Trading Day and the Latest Practicable Date, respectively. Nevertheless, we consider that such non-cash Loan Note Fair Value adjustment in accounting sense is irrelevant for the Qualifying Shareholders to consider whether or not to accept the Offer, on the grounds that the Qualifying Shareholders would receive the 6% Loan Interest together with the repayment of the Loan Notes at HK$2.00 for each Share at the date of maturity irrespective of how the Loan Note Fair Value would be fluctuating during the 36 months prior to the date of maturity of the Loan Notes. On such basis, we consider that the Loan Note Fair Value would not affect the original terms of the Offer, and hence the overall fairness and reasonableness of the terms of the Offer.

Independent Shareholders should consider their own situations whether the 6% Loan Interest per annum is attractive for them to accept the Offer under the prevailing inflationary environment and for the 36 months following the completion of the Offer, but they may not necessarily link up with the Loan Note Fair Value because the Loan Note Fair Value adjustment is non-cash in nature and merely in accounting sense for the Company's financial reporting purpose, it would not ultimately affect the Qualifying Shareholders' legimate right of entitlement to the 6% Loan Interest and the repayment of the principal amount at HK$2.00 for each Share on the maturity date of the Loan Notes. As already analysed in the above, we are of the view that the 6% Loan Interest is appropriate and justifiable by balancing between the Group's own cost of funding and reasonable return for debt securities to be expected by the Qualifying Shareholders.

Ability for redemption upon maturity

The aggregate consideration under the Offer will be partially financed by the internal resources of the Group while the remaining balance will be served by debt-financing by way of issuing the Loan Notes in an amount of up to HK$520.0 million, which Loan Notes will mature and be settled on the day falling 36 months after the date of their issue. Accordingly, there will be an immediate cash outflow of HK$156.0 million for payment of the cash consideration under the Offer upon its completion. Based on the Interim Report, the working capital (i.e. total current assets of approximately HK$1,854.2 million, less total current liabilities of approximately HK$1,509.6 million) and bank balances and cash of the Group as at 30th September, 2011 amounted to approximately HK$344.6 million and HK$638.4 million respectively, representing a current ratio of approximately 1.2 times. The executive Directors are of the view that the implementation of the Offer would not have material adverse effect on the working capital of the Group, and they further confirm that the Group will have sufficient working capital to meet its normal operating requirement after completion of the Offer.

According to the Interim Report, the Group had interest-bearing bank borrowings (excluding bank borrowings associated with assets classified as held for sale of HK$325.0 million), convertible note payables and obligations under finance leases in an aggregate amount of approximately HK$689.8 million, and hence, an acceptable gearing ratio (which is calculated by aggregation of the interest-bearing borrowings, bank overdraft, convertible note payables and obligations under finance leases divided by the net asset value (excluding non-controlling interests) of the Group) of approximately 28.6%.

Assuming full acceptance of the Offer for 260,000,000 Shares, the aggregate interest-bearing borrowings of the Group immediately after completion of the Offer will increase to approximately HK$1,111.5 million assuming that its bank balances and cash to the extent of HK$160.0 million are utilised in settlement of the cash consideration payable under the Offer and the Loan Notes in the aggregate principal amount of HK$520.0 million (assuming full acceptance of the Offer for 260,000,000 Shares) with a fair value of approximately HK$421.7 million are issued. The Group's gearing ratio would increase to approximately 60.7% immediately after completion of the Offer. The executive Directors are of the view that although the Group's gearing ratio would increase from 28.6% to 60.7% resulting from the Offer, such ratio remains low in light of the business nature and scale of operation of the Group. The executive Directors also consider the Group's financial position and liquidity remain healthy and there will be no material adverse financial effect on the Group resulting from the Offer.

Based on our review on the historical financial position of the Group as mentioned above, we noted that the Group had been capable to generate net cash inflow of approximately HK$36.7 million, HK$145.6 million and HK$330.6 million during the past two FYs in 2010 and 2011 and the six months ended 30th September, 2011 respectively, even though this was mainly generated from its investing activities by the disposal of some investments. After our discussion with the management of the Company as to the working capital requirements of the Group and in view of (i) its recent track record of disposal of investment in the Vastness Group in October 2011 with an unaudited estimated gain on disposal of approximately HK$172.0 million in cash; and (ii) the pre-sale of over HK$10 billion as secured the residential development project, namely "One Oasis", in which the Group has an effective interest as to 35.5% therein, we concur with the executive Directors' view that the Group would have sufficient financial resources to repay the Loan Notes and the interests to be accrued thereon when they fall due in the future.

8. Comparable offers in Hong Kong

In order to assess the fairness and reasonableness of the Offer Price, we have also tried to conduct a comparable analysis with other listed companies on the Main Board of the Stock Exchange making similar offers recently, but none of which could be identified over the past five years given the fact that the Offer is unique in terms of the off-market Share Repurchase in nature by paying the consideration thereunder partly in cash, and partly by way of the Loan Notes. On such basis, we do not consider it would be appropriate to make direct comparison with other general offer exercises by companies listed on the Stock Exchange. In the case of the Offer, Independent Shareholders should note (i) the Group's operating results over the past two FYs 2010 and 2011 and the six months ended 30th September, 2011 were not so concrete and promising; (ii) the Group's future prospects are still uncertain and challenging in view of the current extremely volatile market condition, the widely anticipated adverse economic environment globally and the difficult operating environment for the Group itself; (iii) the Offer Price represents a significant premium over the recent closing price of the Shares throughout the Review Period while a substantial part of the consideration payable under the Offer will be settled by way of issuing the Loan Notes in denomination of HK$2.00 each; and (iv) the extremely low trading liquidity of the Shares during the Review Period. Based on the above, we consider that the Offer Price being at a significant premium over to the prevailing market price is fair and reasonable.

9. Comparison with other comparable companies

In forming our opinion on the Offer Price, we have also considered the commonly adopted comparable approaches in evaluation of a company, namely price to earnings approach, price to book ratio approach and dividend approach. However, as the Company had not declared any dividend to the Shareholders over the past five FYs since 2006 and up to 2011, we consider that the dividend approach is not applicable for assessing the value of the Group.

*Price to earning ratio (the "**P/E Ratios**")*

We have tried to compare the P/E Ratio of the Group implied by the Offer Price with those of other companies which are (i) currently listed on the Main Board of the Stock Exchange; and (ii) principally engaged in the property development/investment related business in the Greater China. Nevertheless, as analysed in the above, the Group has basically incurred net losses (i.e. after excluding those one-off compensation income and other non-cash fair value adjustment gains) of approximately HK$68.1 million, HK$187.6 million and HK$95.9 million for each of the past two FYs 2010 and 2011 and the six months ended 30th September, 2011 based on the Annual Report and Interim Report. On such basis, we consider that direct comparison in terms of the P/E Ratios with other comparable companies listed on the Main Board of the Stock Exchange would not be meaningful, or would even be misleading. Accordingly, the price earning approach is not applicable for assessing the value of the Group.

*Price to book ratio (the "**P/B Ratios**")*

For the purpose of assessing the fairness and reasonableness of the value of the Group implied by the Offer Price, we have exhaustively identified certain companies (the "**Share Comparables**") being non-blue chip companies, with (i) market capitalisation of less than HK$4,000 million as at the Last Trading Day and (ii) net asset value of less than HK$8,000 million based on their respective latest published financial reports, listed on the Main Board of the Stock Exchange engaging in businesses similar to those of the Group, which are principally engaged in the property development and/or investment related business in the Greater China. The list of the Share Comparables, to the best of our knowledge and belief, shall be an exhaustive list comprising a small cap property development and/or investment sector in the same industry and we consider that they are fair and representative comparables to the Group, details of our findings on the Share Comparables are summarised in the table below:

Company (Stock Code)	Market capialisation	Net asset value based on the latest published financial statements	Closing price as at the Last Trading Day (being 18th November, 2011)	Net asset value per share based on the latest published financial statements	P/B Ratios (approximate times)
	HK$' million	*HK$' million*	*HK$*	*HK$*	*(Note)*
Beijing Capital Land Limited (2868)	3,690.9	6,129.8	1.820	3.023	0.60
China Aoyuan Property Group Limited (3883)	2,275.5	7,373.5	0.870	2.819	0.31
Coastal Greenland Limited (1124)	823.2	3,892.7	0.295	1.395	0.21

Company (Stock Code)	Market capialisation *HK$' million*	Net asset value based on the latest published financial statements *HK$' million*	Closing price as at the Last Trading Day (being 18th November, 2011) *HK$*	Net asset value per share based on the latest published financial statements *HK$*	P/B Ratios (approximate times) *(Note)*
Fantasia Holdings Group Company Limited (1777)	3,801.3	6,229.3	0.730	1.196	0.61
Skyfame Realty (Holdings) Limited (59)	1,359.5	1,961.3	0.920	1.298	0.69
SPG Land Holdings Limited (337)	1,587.2	5,368.6	1.510	5.107	0.30
Tian Shan Development Holdings Limited (2118)	2,020.0	1,318.4	2.020	1.318	1.53
Zhong An Real Estate Limited (672)	2,442.8	5,726.3	1.030	2.414	0.43
Highest	**3,801.3**	**7,373.5**			**1.53**
Average	**2,250.0**	**4,750.0**			**0.58**
Median	**2,147.7**	**5,547.4**			**0.51**
Lowest	**823.2**	**1,318.4**			**0.21**
The Company (199)					
– Implied by the closing price	**971.7**	**2,413.3**	**1.720**	**4.272**	**0.40**
– Implied by the Offer Price	**1,468.8**	**2,413.3**	**2.600**	**4.272**	**0.61**

Note: P/B Ratios of the Share Comparables are calculated based on their respective closing prices per share as quoted on the Stock Exchange as at the Last Trading Day and their respective audited/unaudited consolidated net asset value as at the balance sheet date of their latest published audited/unaudited financial statements, which is calculated by dividing the audited/unaudited consolidated net assets by the total number of ordinary shares in issue of the respective Share Comparables.

As set out in the above table, the P/B Ratios of the Share Comparables ranged from 0.21 times to 1.53 times, with an average and median of 0.58 times and 0.51 times respectively. The P/B Ratios implied by the Offer Price of 0.61 times is therefore higher than the average, and within the narrower range between the average of 0.58 times and the highest of 1.53 times. We therefore consider that the Offer Price of HK$2.60 per Share is fair and reasonable so far as the Independent Shareholders are concerned. Independent Shareholders should note that the Company had its market capitalisation of approximately HK$971.7 million as at the Last Trading Day, there was only one Share Comparable, namely Coastal Greenland Limited (Stock Code: 1124), with its market capitalisation of less than HK$1,000 million and much more closely comparable with the Company. In view of this situation and further consideration of the Group's scale of operation in terms of net asset value of approximately HK$2,413.3 million as at 30th September, 2011, we set out our selection criteria with (i) market capitalisation of less than HK$4,000 million and an average of approximately HK$2,250.0 million; and (ii) net asset value of less than HK$8,000 million based on the respective latest published financial reports of such Share Comparables and an average of approximately HK$4,750.0 million, by which, we believe that they shall appropriately comprise a small cap property development and/or investment sector in the industry comparable with the Group, and the pool of selection samples shall be sufficient for presenting a meaningful comparison and analysis for them. Nevertheless, all the Share Comparables, including the Company itself, are asset-based companies principally engaged in property development and/or investment businesses in areas including the PRC.

In view of the (i) uniqueness of the Offer in nature and the payment terms in recent years; and (ii) incapability to make direct comparisons for the Offer with other listed companies in Hong Kong by ways of dividend approach, P/E Ratio approach, and other general offer exercises, we consider that comparison in terms of the P/B Ratio approach can provide a meaningful parameter for the Qualifying Shareholders to understand how the then general market to evaluate property development and/or investment companies with operations in the PRC through the price mechanism on the Stock Exchange, even though the market capitalisation, profitability and net asset values might not be very closely comparable with those of the Company, in particular that the Group had not generated concrete operating profits (i.e. after excluding the non-cash fair value adjustment gain/(loss) on investment properties under development and financial instruments) during the past two FYs in 2010 and 2011 and the six months ended 30th September, 2011.

Conclusion

Having considered that the Offer Price is substantially higher than the recent closing price of the Shares as quoted on the Stock Exchange throughout the Review Period while the Shareholders may not be able to realise their investments with a higher return by selling the Shares in the open market as compared to accepting the Offer, we consider that the Offer Price is fair and reasonable considering, in particular, the extremely low liquidity of the Shares during the Review Period. Nevertheless, Shareholders who are optimistic about the future business prospects of the Group should consider retaining the Shares so as to enjoy the benefits of the improving results and positive outlook of the property development/investment market in the Greater China.

Given that the recent market price of the Shares was far lower than the Offer Price at all the time during the Review Period and the prevailing market condition is extremely volatile, Shareholders are reminded to closely monitor the market price of the Shares during the Offer Period as the trading price may unlikely be going up at a level higher than the Offer Price during and after the Offer Period.

10. Undertakings

Selective Choice and parties acting in concert with it (other than PYI) have severally undertaken to the Company that they will not accept the Offer, acquire any Shares, dispose of any of the 148,849,874 Shares in aggregate and/or the 2013 CBs with an aggregate principal amount of HK$378,400,000 in aggregate held by them respectively, nor exercise the conversion rights under the aforesaid 2013 CBs and/or the 6,230,000 Options in aggregate (as the case may be) held by them respectively before the close or lapse of the Offer. As at the Latest Practicable Date, the board of directors of PYI had not decided or indicated to the Company whether PYI would accept the Offer or not.

Mr. Cheung Hon Kit, the chairman of the Company and an executive Director, has undertaken to the Company not to accept the Offer nor to dispose of any of his holdings of 14,202,000 Shares before the close or lapse of the Offer.

Mr. Cheung Hon Kit, Mr. Cheung Chi Kit, Mr. Ma Chi Kong, Karl, Mr. Wong Chi Keung, Alvin and Mr. Kwok Ka Lap, Alva, who are the Directors and the holders of an aggregate of 7,110,000 Options, have severally undertaken to the Company not to exercise the Options held by them respectively before the close or lapse of the Offer.

Certain directors of the subsidiaries of the Company, who are the holders of an aggregate of 1,950,000 Options, have severally undertaken to the Company not to exercise the Options held by them respectively before the close or lapse of the Offer.

11. Assured Entitlements and scaling down arrangement on excess acceptances

In view of the aforesaid undertakings and assuming no 2013 CBs and vested Options outstanding as at the Latest Practicable Date are converted or exercised (as the case may be) during the Offer Period, the Qualifying Shareholders will be assured of being able to sell to the Company under the Offer approximately 64.70% of the Shares they hold as at the close of the Offer (to be rounded down to the nearest whole number of Share), i.e. 1,940 Shares for every board lot of 3,000 Shares held by each Qualifying Shareholder.

In the event that all the 2013 CBs and the vested Options outstanding as at the Latest Practicable Date are fully converted or exercised (as the case may be) by the holders other than Selective Choice and parties acting in concert with it, the Directors and certain directors of the subsidiaries of the Company during the Offer Period, the number of Shares that the Qualifying Shareholders will be assured of being able to sell to the Company under the Offer will be reduced to approximately 50.66% of the Shares they hold as at the close of the Offer (to be rounded down to the nearest whole number of Share), i.e. 1,519 Shares for every board lot of 3,000 Shares held by each Qualifying Shareholder.

Qualifying Shareholders may accept the Offer in respect of some or all of their holdings of Shares, subject to the scaling down mechanism described below.

The number of Shares which may be repurchased from a particular accepting Qualifying Shareholder may exceed his or her Assured Entitlement if any other Qualifying Shareholder either tenders no acceptance in respect of the Offer or accepts the Offer in respect of fewer Shares than is represented by his or her Assured Entitlement.

In the event that the total number of Shares acceded to the Offer exceeds 260,000,000 Shares, the Company will repurchase Shares in excess of the Assured Entitlements of the accepting Qualifying Shareholders on a pro rata basis in accordance with the following formula (save that the Company may in its absolute discretion round such figure up or down with the intention of avoiding (as far as practicable) Shares being held by the Shareholders in odd lots or fractional entitlements):

$$\frac{(260{,}000{,}000 - A) \times C}{B}$$

where

A = Total number of Shares which the Qualifying Shareholders have validly acceded to the Offer in respect of the Assured Entitlements

B = Total number of Shares which the Qualifying Shareholders have validly acceded to the Offer in excess of the Assured Entitlements

C = Total number of Shares which the relevant Qualifying Shareholder has validly acceded to the Offer in excess of his or her Assured Entitlement

The decision of the Company as to any scaling down of acceptances of the Offer in excess of the Assured Entitlements and as to the treatment of odd lots or fractional entitlements will be conclusive and binding on all the Shareholders.

In the event that the total number of Shares acceded to the Offer is less than or equal to 260,000,000 Shares, acceptances of the Offer in excess of the Assured Entitlements will be taken up in full.

We consider that the arrangement under the Assured Entitlements is fair and reasonable for all Qualifying Shareholders, on the grounds that all of them will be provided with an equal opportunity and proportion to be accepted by the Company in accordance with their Assured Entitlements under the Offer.

12. Shareholding structure of the Company

The shareholding structure of the Company (i) as at the Latest Practicable Date, and (ii) the possible changes upon completion of the Offer, is set out in the paragraph headed "Shareholding structure of the Company" in the "Letter from the Board" of the Offer Document. Assuming (i) full acceptance of the Offer by the public Shareholders only; and (ii) no conversion of the 2013 CBs nor exercise of the vested Options before the close of the Offer, the shareholding interests of the public Shareholders in the Company will decrease from approximately 70.05% to 44.50% as a result of the Offer.

Assuming (i) full acceptance by all Qualifying Shareholders (including PYI); and (ii) full conversion of the 2013 CBs and exercise of the vested Options before the close of the Offer, the shareholding interests of the public Shareholders in the Company will decrease from approximately 70.05% to 60.10% as a result of the Offer.

Based on the "Unaudited pro forma financial information of the Group" as set out in Appendix III to the Offer Document, the unaudited consolidated net asset of the Group will decrease, while the unaudited pro forma consolidated net asset per Share will increase to HK$6.01 per Share because the Offer Price of HK$2.60 per Share is much lower that unaudited consolidated net asset per Share of HK$4.27 based on the unaudited consolidated net assets (excluding non-controlling interests) attributable to the Shareholders as at 30th September, 2011.

Having considered the reasons for and benefits of the Offer as set out above, in particular that the Offer (i) represents good opportunities for those Qualifying Shareholders who wish, but are not able, to dispose of any of their Shares due to the low liquidity in the trading of the Shares to realise part of their investments in the Company at a premium over the market price of the Shares; (ii) provides opportunities for those Qualifying Shareholders who wish to retain their holdings and participate in the future prospects of the Group to increase their proportionate interests in the Company with enhanced net asset value per Share held by them after the Offer; (iii) enables the Group to retain adequate fund in the Group for future expansion by satisfying part of the Offer Price by way of the Loan Notes; and (iv) provides an alternative way for the Qualifying Shareholders to realise part of their investments in the Company by getting back some cash first and then change to get a fixed return by holding debt securities (i.e. the Loan Notes) in view of the current extremely volatile market condition, widely anticipated adverse global economic environment and the difficult operating environment for the Group itself, we are of the view that the dilution on the shareholding interests of the Independent Shareholders in the Company as a result of the Offer, on balance between the Qualifying Shareholders and the Company itself, is justifiable and acceptable.

13. Intention of the Company and Selective Choice

It is the intention of the Company and Selective Choice to maintain the listing of the Shares on the Stock Exchange. Following the close or lapse of the Offer, as the case may be, the Company and Selective Choice intend to continue with the existing businesses of the Group. The Company and Selective Choice do not intend to introduce any major changes by reason only of the Offer to the existing operations and management structure of the Group including the continued employment of the employees of the Group and the redeployment of the fixed assets of the Group.

(II) WHITEWASH WAIVER

As at the Latest Practicable Date, Selective Choice and parties acting in concert with it were beneficially interested in an aggregate of 155,026,874 Shares, representing approximately 27.44% of the issued share capital of the Company. Other than PYI which holds 6,177,000 Shares, representing approximately 1.09% of the issued share capital of the Company as at the Latest Practicable Date, Selective Choice and parties acting in concert with it have severally undertaken to the Company that they will not accept the Offer. As shown in the "Letter from the Board" in the Offer Document, the interest in the Company's issued share capital held by Selective Choice and parties acting in concert with it may increase from its current level of approximately 27.44% to a maximum of approximately 50.84%, depending upon the level of acceptance of the Offer.

Rule 32 of the Takeovers Code and Rule 6 of the Repurchases Code provide that where, as a result of share repurchase, a shareholder's proportionate interest in the voting rights of the repurchasing company increases, such increase will be treated as an acquisition of voting rights for the purposes of the Takeovers Code. As the interests of Selective Choice and parties acting in concert with it in the Company's issued share capital may increase to 30% or above after completion of the Offer, an obligation under Rule 26 of the Takeovers Code to make a mandatory general offer for all the issued Shares not already owned or agreed to be acquired by Selective Choice and parties acting in concert with it may arise. Selective Choice would also be required under Rule 13 of the Takeovers Code to make comparable offers for all the 2013 CBs and the Options not already owned or agreed to be acquired by it and parties acting in concert with it. An application has been made by the Selective Choice to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensation from Rule 26 of the Takeovers Code, and the Executive has indicated that the Whitewash Waiver will be granted subject to, among other things, the approval of the Offer and the Whitewash Waiver by the Independent Shareholders at the SGM by way of poll.

Upon completion of the Offer, Selective Choice and the parties acting in concert with it may hold more than 50% of the then issued share capital of the Company and in which case, Selective Choice and parties acting in concert with it may thereafter increase their holding of Shares without incurring any further obligation to make a mandatory general offer under Rule 26 of the Takeovers Code.

As stated in the "Letter from the Board" in the Offer Document, the Offer is conditional upon, among other things, the Executive granting the Whitewash Waiver to Selective Choice. Based on our analysis of the terms of the Offer, reasons for and benefits for the Offer, we consider that the Offer is fair and reasonable for the Independent Shareholders as concerned, and in the interests of the Company and the Shareholders as a whole. If the Whitewash Waiver is not granted by the Executive or if the Whitewash Waiver is not approved by the Independent Shareholders, the Offer will not become unconditional and will not proceed. Given that (i) the Group's overall financial position will not deteriorate while the net asset value per Share will be strengthened as a result of the Offer; (ii) all Qualifying Shareholders will be provided with an equal opportunity and proportion to be accepted by the Company in accordance with their Assured Entitlements under the Offer; and (iii) Selective Choice has been the single largest Shareholder holding approximately 24.71% interest in the issued share capital of the Company since November 2010 while the Company does not intend to introduce any major changes by reason only of the Offer to the existing operations and management structure of the Group, which may imply that the Company's existing control by Selective Choice before and after the Offer, in substance, would remain unchanged, we are in the opinion that, for the purposes of implementing the Offer as discussed above, the approval of the Whitewash Waiver by the Independent Shareholders at the SGM is in the interests of the Company and the Shareholders as a whole.

RECOMMENDATION

Taking into consideration the above-mentioned principal factors and reasons of the Offer, being:

- the Share Repurchase provides the Company with an opportunity to achieve its financial objective of maximising the total return on the Shareholders' investment by making the Offer to all Qualifying Shareholders on a pro-rata basis;

- the Independent Shareholders are treated even-handedly by the Company which is offering to partially acquire the Shares of the Qualifying Shareholders at the Offer Price of HK$2.60 per Share;

- the Offer Price for the Share Repurchase is fair and reasonable when viewed against the consolidated net asset value per Share;

- the Group had recorded net loss for six months ended 30th September, 2011 based on the Interim Report due to the difficult operating environment;

- the Group basically had not recorded meaningful and concrete operating profits for the past two FYs in 2010 and 2011 after excluding those one-off compensation income and other non-cash fair value adjustment gains;

- the Group had not persistently generated meaningful operating cash inflow (i.e. before changes in working capital) over the full FY 2011 and the six months ended 30th September, 2011;

- the prospects and outlook of the Group would remain uncertain and challenging in the near future;

- the Company has not distributed dividends over the past five FYs;

- the trading liquidity of the Shares has been extremely thin during the Review Period;

- the Offer Price of HK$2.60 per Share represents a significant premium of approximately 51.16% and 28.08% over the closing price of the Shares as at the Last Trading Day and the Latest Practicable Date respectively;

- the Offer would enable the Group to retain adequate fund in the Group for future operating requirement and business expansion by satisfying part of the Offer Price by way of the Loan Notes;

- the Company would have sufficient fund to pay the initial sum of approximately HK$156.0 million in respect of the Offer under the Share Repurchase, and the Loan Notes and the interests thereon;

- the Loan Notes are unsecured while the 6% Loan Interest on the outstanding principal amount thereof for the 36 months from the date of issue of the Loan Notes is, on the one hand, favourable, fair and reasonable for the Qualifying Shareholders who accept the Offer, and also in the interests of the Company and the Shareholders as a whole, on the other hand;

- the Offer provides an alternative way for the Qualifying Shareholders to realise part of their investments in the Company by getting back some cash first and then change to get a fixed return by holding debt securities (i.e. the Loan Notes) in view of the current extremely volatile market condition, widely anticipated adverse global economic environment and the difficult operating environment for the Group itself; and

- the Share Repurchase will not affect the management and listing status of the Company,

we are of the opinion that the terms of the Offer under the Share Repurchase are fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to accept the Offer subject to the following circumstances:

(i) as different Shareholders would have different investment criteria, objectives, risk preference and tolerance level and/or circumstances, we would recommend any Shareholder who may require advice in relation to any aspect of the Offer Document, or as to the action to be taken, to consult a licensed securities dealer, registered institution in securities, bank manager, solicitor, professional accountant, tax adviser or other professional adviser; and

(ii) the Independent Shareholders, in particular those who intend to accept the Offer, are reminded to note the recent fluctuation in the Share price after the release of the Announcement, and that there is no guarantee that the current market price will be lower than the Offer Price during and after the close of the Offer.

To this end, the Independent Shareholders should realise that pursuant to the Share Repurchase is going to repurchase up to 260,000,000 Shares, representing approximately 46.02% of the entire issued share capital of the Company as at the Latest Practicable Date, from the Qualifying Shareholders by way of a general offer made by the Company itself (i.e. which is unique in recent years and mostly different from a typical general offer exercise, which the offeror is generally an existing or a potential controlling shareholder of a listed company) at a price HK$2.60 per Share repurchased comprising (i) a cash payment of HK$0.60 per Share, plus (ii) the balance of HK$2.00 by issuing the Loan Notes at the 6% Loan Interest. Given the Company has to consider the attractiveness, cost and benefits for the Qualifying Shareholders in accepting the Offer in addition to the Group's existing financial resources, on-going business operation and long-term sustainable business development in the future on its own after the close of the Offer, we are of the view that the overall terms of the Offer is appropriate and justifiable by balancing between the Group's own funding cost and requirements as well as the reasonable return to be expected by the Qualifying Shareholders.

In addition, we consider that the granting of the Whitewash Waiver is fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM approving the Offer and the Whitewash Waiver.

Yours faithfully,
For and on behalf of
First Shanghai Capital Limited

Eric Lee	**Fanny Lee**
Managing Director	*Managing Director*

Optima Capital is making the Offer to the Qualifying Shareholders on behalf of the Company to repurchase the Shares, on the terms and subject to the conditions set out in this Offer Document. The terms and conditions of the Offer are set out below.

TERMS AND CONDITIONS OF THE OFFER

1. The Offer

The Company will repurchase up to 260,000,000 Shares at the Offer Price. The Offer Price is HK$2.60 per Share, of which HK$0.60 will be satisfied by cash and the balance of HK$2.00 will be satisfied by way of the Loan Notes.

2. Conditions

The Offer is conditional upon fulfillment of all of the following conditions:

(a) the passing of the ordinary resolution by the Independent Shareholders approving the Offer and the transactions contemplated thereunder, and the Whitewash Waiver at the SGM by way of poll;

(b) the granting of consent by the holders of the 2013 CBs holding not less than 75% of the outstanding principal amount of the 2013 CBs in respect of, among other things, the Offer and the reduction in the issued share capital of the Company as a result thereof;

(c) the granting of the Whitewash Waiver by the Executive and all conditions (if any) attaching thereto being fulfilled; and

(d) the compliance by the Company with all legal and other requirements under the Listing Rules, the Codes and the laws of Bermuda applicable to the Offer and the transactions contemplated thereunder.

None of the Conditions can be waived. If any of the Conditions cannot be fulfilled by 31st March, 2012, the Offer will lapse.

The Executive has agreed to grant the Whitewash Waiver, subject to, among other things, the approval of the Independent Shareholders by way of poll at the SGM.

As at the Latest Practicable Date, none of the Conditions had been fulfilled.

The Offer is not conditional as to any minimum number of Shares tendered for acceptance.

3. Maximum number of Shares

The maximum number of Shares which will be repurchased by the Company pursuant to the Offer is 260,000,000 Shares, representing approximately 46.02% of the issued share capital of the Company of 564,919,597 Shares as at the Latest Practicable Date.

4. Qualifying Shareholders

The Offer is available to all Qualifying Shareholders.

5. Acceptance

5.1 Qualifying Shareholders may accept the Offer in respect of any number of their Shares at the Offer Price up to their entire holding of Shares by submitting to the Registrar a duly completed Form of Acceptance, accompanied by the Title Documents, by no later than the Latest Acceptance Time. Each Share may only be accepted under the Offer once.

5.2 The number of Shares specified by an accepting Qualifying Shareholder in a Form of Acceptance will be repurchased in the following order:

(i) firstly, all the Shares up to the Assured Entitlement of an accepting Qualifying Shareholder; and

(ii) secondly, on condition that there are Surplus Shares, the Excess Number of Shares as is equal to the proportion which such Excess Number of Shares bears to the aggregate Excess Number of Shares in all Forms of Acceptance up to 260,000,000 Shares.

5.3 Forms of Acceptance which have been duly completed and received by the Registrar by no later than the Latest Acceptance Time will constitute irrevocable acceptances of the Offer after the Offer has been declared unconditional.

5.4 All of the Shares repurchased by the Company will be free of commissions and dealing charges, but seller's ad valorem stamp duty payable by the accepting Qualifying Shareholders, calculated at a rate of HK$1.00 for every HK$1,000 or part thereof of the market value of the Shares to be repurchased under the Offer or the consideration payable by the Company in respect of the relevant acceptances of the Offer, whichever is the higher, will be deducted by the Company from the amount payable to the accepting Qualifying Shareholders. The Company will arrange for payment of the seller's ad valorem stamp duty on behalf of the accepting Qualifying Shareholders to the Stamp Office in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

5.5 All Shares repurchased under the Offer will be cancelled in accordance with the bye-laws of the Company and will not rank for any dividends after their cancellation.

5.6 Subject to the Offer becoming unconditional, the submission of a Form of Acceptance by an accepting Qualifying Shareholder in the manner described in 5.1 above will be deemed to constitute a warranty from such accepting Qualifying Shareholder to Optima Capital and the Company that all Shares sold by such accepting Qualifying Shareholder under the Offer are fully paid, free from all liens, charges, encumbrances, equitable interests, rights of pre-emption or other third party rights of any nature and together with all rights attaching thereto on or after the date of the Announcement (including the right to all dividends and distributions (if any) declared, made or paid on or after the date of the Announcement).

6. Assured Entitlements and Excess Number of Shares

6.1 Shares tendered for acceptance of the Offer by each accepting Qualifying Shareholder to the extent of his/her Assured Entitlement will be accepted in full.

6.2 The number of Shares which may be repurchased from an accepting Qualifying Shareholder may exceed his/her Assured Entitlement if any other Qualifying Shareholder either tenders no acceptance in respect of the Offer or accepts the Offer in respect of fewer Shares than is represented by his/her Assured Entitlement.

6.3 In the event that the total number of Shares acceded to the Offer exceeds 260,000,000 Shares, the Company will repurchase Shares in excess of the Assured Entitlements of the accepting Qualifying Shareholders on a pro rata basis in accordance with the following formula (save that the Company may in its absolute discretion round such figure up or down with the intention of avoiding (as far as practicable) Shares being held by the Qualifying Shareholders in odd lots or fractional entitlements):

$$\frac{(260{,}000{,}000 - A) \times C}{B}$$

where

A = Total number of Shares which the Qualifying Shareholders have validly acceded to the Offer in respect of the Assured Entitlements

B = Total number of Shares which the Qualifying Shareholders have validly acceded to the Offer in excess of the Assured Entitlements

C = Excess Number of Shares of the relevant Qualifying Shareholder

6.4 The decision of the Company as to any scaling down of acceptances of the Offer in excess of the Assured Entitlements and as to the treatment of odd lots or fractional entitlements will be conclusive and binding on all the accepting Qualifying Shareholders.

6.5 In the event that the total number of Shares acceded to the Offer is less than or equal to 260,000,000 Shares, acceptances of the Offer in excess of the Assured Entitlements will be taken up in full.

7. Odd lots arrangements

7.1 The existing board lot size of 3,000 Shares per board lot will remain unchanged after the Offer. Accepting Qualifying Shareholders should note that acceptance of the Offer may result in their holding of odd lots of Shares.

7.2 For the purpose of avoiding odd lots holding by the accepting Qualifying Shareholders, Success Securities Limited, whose address is at Suite 1603–7, 16/F., Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong (contact persons : Mr. Yim Siu Kei and/or Mr. Pang Wing Shing, telephone number : (852) 2598-1027) has been appointed by the Company as the designated broker to match sales and purchases of odd lot holdings of Shares in the market for a period of six (6) weeks from the completion of the Offer to enable the accepting Qualifying Shareholders who hold odd lots of Shares as a result of acceptance of the Offer to dispose of their odd lots or to top up their odd lots to whole board lots of 3,000 Shares. Accepting Qualifying Shareholders should note that the matching of odd lots of Shares is not guaranteed.

8. Acceptance period

8.1 If the Offer becomes unconditional, the Offer will remain open for acceptance for a period of not less than 14 days thereafter. In order to be valid, the duly completed Form of Acceptance, together with the Title Documents in respect of such number of Shares which the relevant accepting Qualifying Shareholders intend to accept under the Offer, must be delivered to and received by the Registrar by no later than the Latest Acceptance Time, which is currently expected to be 4:00 p.m. on Friday, 3rd February, 2012, or such later time and/or date as the Company may, with the prior consent of the Executive, decide and announce.

8.2 The date when the last one of the Conditions is expected to be satisfied is Friday, 20th January, 2012. Such date may be postponed by the Company, subject to receiving the prior consent of the Executive.

9. Irrevocable acceptances

Forms of Acceptance which have been duly completed and received by the Registrar by no later than the Latest Acceptance Time will constitute irrevocable acceptance of the Offer after the Offer has been declared unconditional.

10. General

10.1 The Shares to be repurchased under the Offer shall be fully paid, free from all liens, charges, encumbrances, equitable interests, rights of pre-emption or other third party rights of any nature and together with all rights attaching thereto on or after the date of the Announcement (including the right to all dividends and distributions (if any) declared, made or paid on or after the date of the Announcement).

10.2 Qualifying Shareholders may accept the Offer by completing and returning the accompanying Form of Acceptance in accordance with the instructions set out in this Offer Document and the instructions printed on the Form of Acceptance. A Form of Acceptance may be rejected as invalid if the procedures contained in this Offer Document and in the Form of Acceptance are not complied with.

10.3 The Offer and all acceptances of it, the Forms of Acceptance and all contracts made pursuant to the Offer, and all actions taken or made or deemed to be taken or made pursuant to these terms will be governed by and construed in accordance with Hong Kong laws. Delivery of a Form of Acceptance will constitute submission to the non-exclusive jurisdiction of the Hong Kong courts.

10.4 Failure of any person to receive this Offer Document will not invalidate any aspect of the Offer. Extra prints of this Offer Document will be available for collection by any Qualifying Shareholder at the office of the Registrar and the principal place of business of the Company during office hours between the date of despatch of this Offer Document and the Latest Acceptance Time, and on the Stock Exchange's website at www.hkexnews.hk for at least 7 days from the date of its publication, and the Company's website at www.itcproperties.com.

10.5 The right of acceptance of the Offer is personal to the Qualifying Shareholders and is not capable of being assigned or renounced in favour of others or otherwise transferred by the Qualifying Shareholders.

10.6 All questions as to the number of Shares repurchased, the price to be paid therefor, or any alteration of such price in accordance with the terms contained herein, and the validity, form, eligibility (including the time of receipt), acceptance or payment of any acceptance will be determined by the Company, which determination will be final and binding on all of the parties concerned (except as otherwise required under the applicable law or by the Executive). The Company reserves the absolute right to reject any or all acceptances it determines not to be in proper form or the acceptance or payment therefor which may, in the opinion of the Company, be unlawful. An acceptance may be rejected as invalid unless all defects or irregularities have been cured or waived. None of the Company or the Registrar or any other persons is or will be obliged to give notice of any defects or irregularities in acceptances, and none of them will incur any liability for failure to give any such notice.

10.7 All communications, notices, Forms of Acceptance, Title Documents and remittances to be delivered or sent by, to or from any Qualifying Shareholder will be delivered or sent by, to or from them, or their designated agents, at their risk and none of the Company, Optima Capital, the Registrar or any of their respective directors or any other persons involved in the Offer accepts any liability for any loss or any other liabilities whatsoever which may arise in respect thereof.

10.8 Should any Qualifying Shareholder require any assistance in completing the Form of Acceptance or have any enquiries regarding the procedures for tendering and settlement or any other similar aspect of the Offer, such Qualifying Shareholder may contact the Registrar at its hotline at (852) 2980-1333 during the period from Tuesday, 3rd January, 2012 to the closing date of the Offer (both days inclusive) between 9:00 a.m. and 6:00 p.m. from Mondays to Fridays (other than public holidays).

10.9 The Company reserves the right, subject to any applicable or regulatory requirement, to revise the Offer Price. In the event of such revision (which will not, for the avoidance of doubt, include an alteration of the maximum 260,000,000 Shares to be repurchased under the Offer), a circular supplemental to this Offer Document (including a new Form of Acceptance) will be despatched to each Qualifying Shareholder and the Offer will remain open for acceptance for at least 14 days following the date on which such supplemental circular is despatched. Each of the Qualifying Shareholders will be entitled to the revised terms of the Offer, regardless of whether he/she has already accepted the Offer or not.

10.10 The Company reserves its right to waive any defects or irregularities in any Form of Acceptance received by the Registrar.

OVERSEAS SHAREHOLDERS

This Offer Document will not be filed under the applicable securities or equivalent legislation or rules of any jurisdictions other than Hong Kong.

As the Offer to the persons not resident in Hong Kong may be affected by the laws of the relevant jurisdictions, the Overseas Shareholders should inform themselves about and observe all applicable legal or regulatory requirements and, where considered necessary, seek legal advice.

Based on the Register as at the Latest Practicable Date, there were two Overseas Shareholders with registered addresses in one jurisdiction outside Hong Kong, being the British Virgin Islands. The Board had made enquiries regarding the legal restrictions under the applicable securities legislation of such jurisdiction and the requirements of the relevant regulatory body or stock exchange with respect to the Offer in relation to such Overseas Shareholders. The legal advisers to the Company in respect of the laws of the British Virgin Islands advised that no local regulatory compliance would be required to be made in that jurisdiction for the Company in extending the Offer to the Overseas Shareholders who resided in that jurisdiction. Accordingly, the Offer will be extended to such Overseas Shareholders with addresses in the British Virgin Islands. Therefore, there is no Excluded Shareholder.

It is the responsibility of each Overseas Shareholder who wishes to accept the Offer to satisfy himself or herself as to the full observance of the laws of the relevant jurisdiction in that connection, including the obtaining of any governmental or other consents which may be required or the compliance with other necessary formalities or legal requirements. Acceptance of the Offer by any person will be deemed to constitute a representation and warranty from such person to the Company that the local laws and requirements have been complied with. Shareholders should consult their professional advisers if in doubt.

PROCEDURES FOR ACCEPTANCE AND SETTLEMENT

1. General procedures for acceptance

1.1 In order to accept the Offer, Qualifying Shareholders should complete and return the accompanying Form of Acceptance in accordance with the instructions set out in this Offer Document and the instructions printed on the Form of Acceptance. The instructions set out in this Offer Document should be read together with the instructions printed on the Form of Acceptance (which instructions form part of the terms of the Offer).

1.2 In order to be valid, the duly completed Form of Acceptance, together with the Title Documents in respect of such number of Shares which the relevant Qualifying Shareholder intends to accept under the Offer, should be delivered by post or by hand to the Registrar, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, in an envelope marked "**ITC Properties Group Limited – Repurchase Offer**" as soon as possible after receipt of the Form of Acceptance but in any event so as to reach the Registrar by no later than 4:00 p.m. on Friday, 3rd February, 2012, or such later time and/or date as the Company may, with the prior consent of the Executive, decide and announce.

1.3 No Form of Acceptance received after the Latest Acceptance Time will be accepted.

1.4 If the Form of Acceptance is executed by a person other than the registered holder, appropriate evidence of authority (e.g. a grant of probate or certified copy of a power of attorney) must be delivered to the Registrar with the completed Form of Acceptance.

1.5 No acknowledgement of receipt of any Form of Acceptance or Title Documents will be given.

1.6 The Company reserves the right, at its sole discretion, to investigate, in relation to any acceptance, whether the representations and warranties set out in this appendix could have been properly given by the relevant Qualifying Shareholder and, if such investigation is made and as a result the Company determines (for any reason) that any such representation and/or warranty could not have been properly given, such acceptance may be rejected as invalid.

1.7 Only one Form of Acceptance may be submitted by each Qualifying Shareholder to the Registrar.

2. Nominee holdings

2.1 If the Title Documents in respect of a Qualifying Shareholder's Shares are in the name of a nominee company or a name other than his/her own, and such Qualifying Shareholder wishes to accept the Offer (either in full or in respect of part of his/her holding(s) of Shares), he/she must either:

(i) instruct the nominee company, or other nominee to accept the Offer on his/her behalf and requesting it to deliver the Form of Acceptance duly completed together with the Title Documents to the Registrar within such deadline (which may be earlier than the deadline specified under the Offer) as may be stipulated by the nominee; or

(ii) arrange for the Shares to be registered in his/her name by the Company through the Registrar, and send the Form of Acceptance duly completed together with the Title Documents to the Registrar; or

(iii) where his/her Shares have been maintained with his/her licensed securities dealer/custodian bank through CCASS, instruct his/her licensed securities dealer/custodian bank to authorise HKSCC Nominees Limited to accept the Offer on his/her behalf on or before the deadline set by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, that Qualifying Shareholder should check with his/her broker/custodian bank for the timing on processing of his/her instruction, and submit such instruction to his/her broker/custodian bank as required by them; or

(iv) if that Qualifying Shareholder's Shares have been lodged with his/her Investor Participant Account with CCASS, authorise his/her instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set by HKSCC Nominees Limited.

2.2 Qualifying Shareholders whose Shares are held by a nominee company should note that the nominee company will be regarded as a single Shareholder according to the Register.

2.3 Qualifying Shareholders whose Shares are held by nominee(s) should ensure that they undertake the above applicable course of action promptly so as to allow their nominee(s) sufficient time to complete the acceptance procedure on their behalf by the Latest Acceptance Time.

3. Recent transfers

If a Qualifying Shareholder has lodged transfer(s) of Shares for registration in his/her name and has not yet received the Share certificate(s) and wishes to accept the Offer, he/she should nevertheless complete the Form of Acceptance and deliver it to the Registrar together with the transfer receipt(s) duly signed by him/her by no later than the Latest Acceptance Time. Such action will be deemed to be an authority to the Company or its agent(s) to collect from the Company or the Registrar on his/her behalf the relevant Share certificate(s) when issued and to deliver such Share certificate(s), subject to the terms of the Offer, as if it/they was/were delivered to the Registrar with the Form of Acceptance.

4. Lost or unavailable share certificates

4.1 If the Title Document(s) is/are not readily available and/or is/are lost and a Qualifying Shareholder wishes to accept the Offer, the Form of Acceptance should nevertheless be completed and delivered to the Registrar so as to reach the Registrar by no later than the Latest Acceptance Time and the Title Documents should be forwarded to the Registrar as soon as possible thereafter and in any event before the Latest Acceptance Time.

4.2 Acceptances of the Offer may, at the discretion of the Company, be treated as valid even if not accompanied by the Title Documents but, in such cases, the consideration payable under the Offer will not be despatched until the relevant Title Document(s) has/have been received by the Registrar.

4.3 If a Qualifying Shareholder has lost his/her Title Document(s), he/she should write to the Registrar and request a letter of indemnity in respect of the lost Title Document(s) (as the case may be) which, when completed in accordance with the instructions given, should be returned, together with the Form of Acceptance and any Title Documents which are available, to the Registrar either by post or by hand, so to arrive not later than the Latest Acceptance Time. In such case, such Qualifying Shareholder will be informed of the fees payable to the Registrar for which he/she will be responsible.

5. Additional Forms of Acceptance

If a Qualifying Shareholder has lost the accompanying Form of Acceptance or such original has become unusable, and requires a replacement of such form, he/she should write to the Registrar or visit the Registrar at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, and request an additional Form of Acceptance. Alternatively, he/she could download it from the website of the Stock Exchange at www.hkexnews.hk or the Company's website at www.itcproperties.com.

6. Settlement

6.1 Pursuant to Rule 20.1 of the Takeovers Code, the Shares represented by acceptances of the Offer shall be paid for by the Company as soon as possible but in any event within 10 days of the later of the date on which the Offer becomes, or is declared, unconditional and the date of receipt of a duly completed Form of Acceptance accompanied by the Title Documents. As the Offer allows the accepting Qualifying Shareholders to tender acceptance in respect of Excess Number of Shares subject to the scaling down mechanism, the Company is not able to determine how many Shares will be repurchased from the accepting Qualifying Shareholders under the Excess Number of Shares until after the close of the Offer. In this regard, the Company has made an application for, and has been granted by the Executive, a waiver from strict compliance with Rule 20.1 of the Takeovers Code, and the Offer Price for the Shares repurchased by the Company from each accepting Qualifying Shareholder shall be paid in the manner described below.

6.2 Subject to the Offer becoming unconditional and provided that a duly completed Form of Acceptance accompanied by the relevant Title Documents are received by the Registrar by no later than the Latest Acceptance Time and are or are deemed to be in order, the Registrar will inform the relevant accepting Qualifying Shareholder by post of the repurchase of his/her Shares, including the number of Shares to be purchased from his/her Excess Number of Shares, if any. At the same time, the Registrar will send, by ordinary post at that accepting Qualifying Shareholder's risk, a remittance for such total amount as is due to that accepting Qualifying Shareholder under the Offer, subject to deduction pursuant to paragraph 5.5 in the section headed "Terms and Conditions of the Offer" of this appendix, as soon as possible but in any event within 10 days of the close of the Offer.

6.3 If the Offer does not become unconditional, the Title Documents will be returned and/or sent to each accepting Qualifying Shareholder (by ordinary post at that accepting Qualifying Shareholder's own risk) within 10 days of the lapse of the Offer. Where any accepting Qualifying Shareholder has sent one or more transfer receipt(s) and in the meantime one or more Share certificate(s) has/have been collected on that accepting Qualifying Shareholder's behalf in respect thereof, that accepting Qualifying Shareholder will be sent (by ordinary post at his/her own risk) such Share certificate(s) in lieu of the transfer receipt(s).

6.4 If the Excess Number of Shares of an accepting Qualifying Shareholder has not been repurchased by the Company in full, the Title Documents in respect of the balance of such Shares or a replaced certificate therefor will be returned or sent to him/her by ordinary post at his/her own risk as soon as possible but in any event within 10 days of the close of the Offer.

7. New Shareholders

Any Shareholder may collect a copy of this Offer Document from the Registrar at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong during business hours between 3rd January, 2012 to the closing date of the Offer, both dates inclusive. Such Shareholder may also contact the Registrar (through the enquiry hotline referred to in paragraph 10.8 under the section headed "Terms and Conditions of the Offer" of this appendix) and request a copy of this Offer Document to be sent to his/her registered address as recorded in the Register.

EFFECT OF ACCEPTANCE OF THE OFFER BY THE QUALIFYING SHAREHOLDERS

Each Qualifying Shareholder by whom, or on whose behalf, a Form of Acceptance is executed irrevocably undertakes, represents, warrants and agrees to and with the Company and Optima Capital (so as to bind him/her, his/her personal representatives, heirs, successors and assigns) to the effect:

1. Deeming provisions

that the following provisions apply in the case of incorrectly completed, incomplete or illegible Form of Acceptance:

(a) if Box 1 of the Form of Acceptance is not completed at all or a mark other than a legible number is inserted, the Qualifying Shareholder is deemed to have accepted the Offer in regard to such number of Shares as shall be equal to the number of the Shares tendered by such Qualifying Shareholder, as supported by the Title Documents, subject to the scaling down mechanism; and

(b) if the total number of Shares inserted in Box 1 of the Form of Acceptance is greater than the Shares tendered by the relevant Qualifying Shareholder as supported by the Title Documents, such Qualifying Shareholder will be deemed to have accepted the Offer in regard to such number of Shares as shall be equal to the number of the Shares tendered by him/her, as supported by the Title Documents, subject to the scaling down mechanism;

2. Representations and warranties

that by delivery to the Registrar a duly completed Form of Acceptance accompanied with the Title Documents, the accepting Qualifying Shareholder represents and warrants to the Company and Optima Capital:

(a) that he/she has full power and authority to tender, sell, assign and transfer all the Shares (together with all rights attaching thereto) specified in such Form of Acceptance for repurchase and that the Shares are fully paid, free from all liens, charges, encumbrances, equitable interests, rights of pre-emption or other third party rights of any nature and together with all rights attaching thereto on or after the date of the Announcement (including the right to all dividends and distributions (if any) declared, made, or paid on or after the date of the Announcement); and

(b) that if he/she is a resident in or a citizen of a jurisdiction outside Hong Kong, he/she has fully observed any applicable legal or other requirements and that the Offer may be accepted by him/her lawfully under the laws of the relevant jurisdiction;

3. Appointment and authority

that the execution of the Form of Acceptance constitutes:

(a) the irrevocable appointment of any director or officer of the Company or Optima Capital, or such other person as any of them may direct, as such accepting Qualifying Shareholder's agent (the "**Agent**"); and

(b) an irrevocable instruction to the Agent to complete and execute the Form of Acceptance and/or any other document at the Agent's discretion on behalf of such accepting Qualifying Shareholder and to do any other acts or things as may in the opinion of the Agent be necessary, expedient or desirable for the purpose of the Company repurchasing some or all of the Shares (as the Company may in its absolute discretion determine) of such accepting Qualifying Shareholder;

4. Undertakings

that by duly executing the Form of Acceptance, he/she:

(a) agrees to ratify and confirm each and every act or thing which may be done or effected by the Company or any Agent in the proper exercise of its or his/her powers and/or authorities under the terms of the Offer;

(b) undertakes to deliver to the Registrar the Title Documents in respect of the Shares for which the Offer is (or is deemed to be) accepted, or an indemnity or indemnities acceptable to the Company in lieu thereof, or to procure the delivery of such document(s) to such person as soon as possible thereafter and, in any event, no later than the Latest Acceptance Time;

(c) accepts that the provisions of the Form of Acceptance and the other terms and conditions in this Offer Document are deemed to be incorporated into the terms and conditions of the Offer;

(d) undertakes to execute any further documents, take any further action and give any further assurances which may be required in connection with his/her acceptance of the Offer as the Company may consider to be necessary, expedient or desirable, including without limitation, to complete the repurchase of any Shares in respect of which he/she has accepted or is deemed to have accepted the Offer free from all liens, charges, encumbrances, equitable interests, rights of pre-emption or other third party rights of any nature and together with all rights attaching thereto on or after the date when the Offer Period begins and/or to perfect any of the authorities expressed to be given hereunder;

(e) authorises the Company or the Agent to procure the despatch by post of the consideration to which he/she is entitled at his/her risk to the first-named holder at his/her registered address in Box 4 of the Form of Acceptance; and

(f) submits to the jurisdiction of the courts of Hong Kong in relation to all matters arising out of or in connection with the Offer or this Offer Document.

TAXATION

Qualifying Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of their acceptance of the Offer. It is emphasised that none of the Company, its ultimate beneficial owners and parties acting in concert with any of them, Optima Capital, First Shanghai, the Registrar or any of their respective directors or any persons involved in the Offer accepts responsibility for any taxation effects on, or liabilities of, any person or persons as a result of their acceptance of the Offer.

ANNOUNCEMENTS

1. Following the SGM at which the Offer and the Whitewash Waiver are to be approved by the Independent Shareholders, the Company will announce through the Stock Exchange's website the results of the SGM and whether or not the Offer has become unconditional.

2. By 6:00 p.m. (or such later time as the Executive may permit) on the closing date of the Offer, the Company shall inform the Executive and the Stock Exchange of its decision in relation to the revision, extension or expiry of the Offer (if any) and shall publish an announcement through the website of the Stock Exchange by 7:00 p.m. on such date stating whether the Offer has been revised, extended or expired. A draft of such announcement must be submitted to the Executive and the Stock Exchange by 6:00 p.m. for clearance and publication of such announcement duly cleared must be made through the website of the Stock Exchange by 7:00 p.m. on the same day. The announcement shall (except in the case of lapse of the Offer) specify the total number of Shares (and rights over Shares) that have been accepted for repurchase under the Offer and shall also set out the results of the Offer, including the details of the way in which each accepting Qualifying Shareholder's pro-rata entitlement is determined.

3. In calculating the total number of the Shares represented by the Forms of Acceptance, acceptances which are not in all respects in order or are subject to verification will be stated separately.

INTERPRETATION

1. A reference in this Offer Document to a Qualifying Shareholder includes a reference to a person who, by reason of an acquisition or transfer of Shares, is entitled to execute a Form of Acceptance and in the event of more than one person executing a Form of Acceptance, the provisions of this Offer Document apply to them jointly and severally.

2. A reference in this Offer Document and the Form of Acceptance to the masculine gender includes the feminine and neuter genders, and a reference to the singular includes the plural, and vice versa.

1. FINANCIAL SUMMARY

The following is a summary of (i) the audited financial results of the Group for each of the three financial years ended 31st March, 2009, 2010 and 2011; (ii) the audited assets and liabilities as at 31st March, 2009, 2010 and 2011; (iii) the unaudited financial results of the Group for the six months ended 30th September, 2011; and (iv) the unaudited assets and liabilities of the Group as at 30th September, 2011 as extracted from the published financial statements of the Group for the relevant years/period. The auditors of the Company did not issue any qualified opinion on the financial statements of the Group for each of the three years ended 31st March, 2009, 2010 and 2011. The Company had no items which are exceptional or extraordinary because of size, nature or incidence, and no dividend had been paid or declared by the Company for each of the three years ended 31st March, 2009, 2010 and 2011.

(i) Consolidated Income Statements

	Year ended 31st March,			Six months ended 30th September,
	2009	**2010**	**2011**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	*(audited)*	*(audited)*	*(unaudited)*
Turnover – Gross proceeds	145,121	314,358	260,987	96,747
Revenue	92,670	239,750	226,482	74,129
(Loss)/profit before taxation	(462,285)	102,960	100,126	(90,399)
Taxation	469	(108)	(20,290)	741
(Loss)/profit for the year/period	(461,816)	102,852	79,836	(89,658)

	Year ended 31st March, 2009	Year ended 31st March, 2010	Year ended 31st March, 2011	Six months ended 30th September, 2011
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	*(audited)*	*(audited)*	*(unaudited)*
Attributable to:				
– Owners of the Company	(461,816)	102,852	80,455	(89,165)
– Non-controlling interests	–	–	(619)	(493)
(Loss)/profit for the year/period	(461,816)	102,852	79,836	(89,658)
Dividend	–	–	–	–
Dividend per share	–	–	–	–
(Loss)/earnings per share attributable to owners of the Company				
– Basic and diluted (HK dollar)	(1.20)	0.22	0.15	(0.16)

(ii) Consolidated Statements of Financial Position

	As at 31st March,			As at 30th September,
	2009	**2010**	**2011**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	*(audited)*	*(audited)*	*(unaudited)*
Assets and Liabilities				
Total assets	3,581,370	4,208,956	4,562,522	4,571,256
Total liabilities	(1,572,134)	(2,087,133)	(2,179,694)	(2,151,888)
Net assets	2,009,236	2,121,823	2,382,828	2,419,368
Equity attributable to owners of the company	2,002,051	2,114,638	2,376,262	2,413,308
Non-controlling interests	7,185	7,185	6,566	6,060
Total equity	2,009,236	2,121,823	2,382,828	2,419,368

2. AUDITED FINANCIAL STATEMENTS

The following is the full text of the audited financial statements of the Group for the year ended 31st March, 2011 as extracted from the annual report of the Company for the year ended 31st March, 2011:

CONSOLIDATED INCOME STATEMENT

(for the year ended 31st March, 2011)

	NOTES	**2011** *HK$'000*	**2010** *HK$'000* (Restated)
Turnover			
– Gross proceeds		260,987	314,358
Revenue	*6*	226,482	239,750
Property sale and rental income		163,740	64,266
Golf and leisure income		47,686	48,896
		211,426	113,162
Cost of sales		(148,325)	(62,561)
Gross profit		63,101	50,601
Income from loan financing		15,023	14,758
Net gain on financial instruments	*7*	8,475	170,663
Other income and gains	*8*	162,317	28,773
Increase in fair value of investment properties under development	*18*	136,622	76,882
Reversal of impairment losses on property interests	*9*	–	55,458
Impairment loss recognised on advance to a jointly controlled entity	*20*	–	(11,022)
Administrative expenses		(191,683)	(148,135)
Finance costs	*10*	(108,391)	(124,063)
Share of results of joint ventures	*20*	98	95
Share of results of associates	*21*	14,564	(11,050)
Profit before taxation		100,126	102,960
Taxation	*11*	(20,290)	(108)
Profit for the year	*12*	79,836	102,852
Profit for the year attributable to:			
Owners of the Company		80,455	102,852
Non-controlling interests		(619)	–
		79,836	102,852
Earnings per share	*14*		
– Basic and diluted (HK dollar)		0.15	0.22

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(for the year ended 31st March, 2011)

	2011	2010
	HK$'000	*HK$'000*
		(Restated)
Profit for the year	79,836	102,852
Other comprehensive income		
Net gain on fair value changes of available-for-sale investments	3,996	12,482
Reclassification adjustments on:		
– exchange differences relating to deemed disposal of subsidiaries	–	(117)
– disposal of available-for-sale investments	(109)	(3,836)
Exchange differences arising on translation of foreign operations	12,275	(144)
Share of translation reserve of associates	561	–
Other comprehensive income for the year	16,723	8,385
Total comprehensive income for the year	96,559	111,237
Total comprehensive income for the year attributable to:		
Owners of the Company	97,178	111,237
Non-controlling interests	(619)	–
	96,559	111,237

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(at 31st March, 2011)

	NOTES	31.3.2011 HK$'000	31.3.2010 HK$'000 (Restated)	1.4.2009 HK$'000 (Restated)
Non-current assets				
Property, plant and equipment	15	10,442	184,681	186,224
Prepaid lease payments of leasehold land	16	–	20,291	20,822
Premium on prepaid lease payments of leasehold land	17	–	108,821	111,558
Investment properties under development	18	540,000	373,933	104,000
Properties under development		–	–	189,000
Available-for-sale investments	19	44,684	44,869	37,892
Interests in joint ventures	20	1,221	57,370	44,759
Interests in associates	21	398,422	305,092	134,809
Unsecured loans and interest due from associates	21	797,703	1,098,195	1,073,982
Debt portion of convertible bonds	23	–	41,802	36,320
Deposits and expenses paid for acquisition of a land use right	24	–	47,275	47,275
Deposits and expenses paid for acquisition of subsidiaries	44(a)	362,191	362,191	47,244
Other loan receivables	25	144,583	3,775	–
Pledged bank deposit	29	–	24,700	–
		2,299,246	2,672,995	2,033,885
Current assets				
Inventories	26	355	2,902	3,143
Properties held for sale	26	660,094	759,289	435,388
Prepaid lease payments of leasehold land	16	–	530	530
Unsecured loans and interest due from associates	21	354,991	–	–
Unsecured loan and interest due from a related company		–	–	48,437
Other loan receivables	25	114,458	208,246	208,727
Debt portion of convertible bonds	23	–	1,627	727
Debtors, deposits and prepayments	28	359,071	227,840	503,148
Financial assets at fair value through profit or loss	27	126,397	149,491	176,552
Amounts due from associates	22	10,089	7,875	2,172
Pledged bank deposits	29	–	17,500	44,626
Bank balances and cash	29	294,755	160,661	124,035
		1,920,210	1,535,961	1,547,485
Assets classified as held for sale	30	343,066	–	–
		2,263,276	1,535,961	1,547,485

	NOTES	31.3.2011 HK$'000	31.3.2010 HK$'000 (Restated)	1.4.2009 HK$'000 (Restated)
Current liabilities				
Creditors, deposits and accrued charges	31	152,197	133,113	72,047
Deposits received for disposal of subsidiaries	32	526,826	–	–
Amount due to a non-controlling shareholder of a subsidiary	33	–	244	395
Tax payable		20,036	12,294	11,856
Convertible note payables – due within one year	34	987,598	533,342	7,174
Obligations under finance leases – due within one year	35	85	75	90
Bank borrowings – due within one year	36	300,000	13,652	82,830
		1,986,742	692,720	174,392
Liabilities associated with assets classified as held for sale	30	91,351	–	–
		2,078,093	692,720	174,392
Net current assets		185,183	843,241	1,373,093
Total assets less current liabilities		2,484,429	3,516,236	3,406,978
Non-current liabilities				
Convertible note payables – due after one year	34	–	902,974	1,328,913
Obligations under finance leases – due after one year	35	195	167	282
Bank borrowings – due after one year	36	100,000	464,067	40,658
Deferred tax liabilities	37	1,406	27,205	27,889
		101,601	1,394,413	1,397,742
		2,382,828	2,121,823	2,009,236
Capital and reserves				
Share capital	38	5,649	4,709	4,709
Reserves		2,370,613	2,109,929	1,997,342
Equity attributable to owners of the Company		2,376,262	2,114,638	2,002,051
Non-controlling interests		6,566	7,185	7,185
		2,382,828	2,121,823	2,009,236

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(for the year ended 31st March, 2011)

	Attributable to owners of the Company														
	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000 (Note 50(a))	Capital redemption reserve HK$'000	Convertible loan notes equity reserve HK$'000	Share-based payment reserve HK$'000	Available-for-sale investments reserve HK$'000	Special reserve HK$'000 (Note)	Revaluation reserve HK$'000	Translation reserve HK$'000	Warrant reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1st April, 2009	4,709	1,972,794	113,020	7,216	307,719	12,767	23	(8,908)	804	9,674	34,571	(452,338)	2,002,051	7,185	2,009,236
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	–	–	–	(144)	–	–	(144)	–	(144)
Net gain on fair value changes of available-for-sale investments	–	–	–	–	–	–	12,482	–	–	–	–	–	12,482	–	12,482
Reclassification upon deemed disposal of subsidiaries *(note 43)*	–	–	–	–	–	–	–	–	–	(117)	–	–	(117)	–	(117)
Disposal of available-for-sale investments	–	–	–	–	–	–	(3,836)	–	–	–	–	–	(3,836)	–	(3,836)
Profit for the year	–	–	–	–	–	–	–	–	–	–	–	102,852	102,852	–	102,852
Total comprehensive income (expenses) for the year	–	–	–	–	–	–	8,646	–	–	(261)	–	102,852	111,237	–	111,237
Exercise of warrants	–	3	–	–	–	–	–	–	–	–	(1)	–	2	–	2
Transfer on lapse of warrants	–	–	–	–	–	–	–	–	–	–	(34,570)	34,570	–	–	–
Transfer on cancellation of share option	–	–	–	–	–	(13,975)	–	–	–	–	–	13,975	–	–	–
Recognition of equity-settled share-based payments	–	–	–	–	–	1,348	–	–	–	–	–	–	1,348	–	1,348
At 31st March, 2010	4,709	1,972,797	113,020	7,216	307,719	140	8,669	(8,908)	804	9,413	–	(300,941)	2,114,638	7,185	2,121,823

	Attributable to owners of the Company														
	Share capital *HK$'000*	Share premium *HK$'000*	Contributed surplus *HK$'000*	Capital redemption reserve *HK$'000*	Convertible loan notes equity reserve *HK$'000*	Share-based payment reserve *HK$'000*	Available-for-sale investments reserve *HK$'000*	Special reserve *HK$'000*	Revaluation reserve *HK$'000*	Translation reserve *HK$'000*	Warrant reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total *HK$'000*
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	–	–	–	12,275	–	–	12,275	–	12,275
Share of translation reserve of associates	–	–	–	–	–	–	–	–	–	561	–	–	561	–	561
Net gain on fair value changes of available-for-sale investments	–	–	–	–	–	–	3,996	–	–	–	–	–	3,996	–	3,996
Disposal of available-for-sale investments	–	–	–	–	–	–	(109)	–	–	–	–	–	(109)	–	(109)
Profit for the year	–	–	–	–	–	–	–	–	–	–	–	80,455	80,455	(619)	79,836
Total comprehensive income for the year	–	–	–	–	–	–	3,887	–	–	12,836	–	80,455	97,178	(619)	96,559
Transfer on maturity of convertible notes	–	–	–	–	(83,810)	–	–	–	–	–	–	83,810	–	–	–
Issue of shares	940	149,460	–	–	–	–	–	–	–	–	–	–	150,400	–	150,400
Transaction cost attributable to issue of shares	–	(2,467)	–	–	–	–	–	–	–	–	–	–	(2,467)	–	(2,467)
Recognition of equity-settled share-based payments	–	–	–	–	–	16,513	–	–	–	–	–	–	16,513	–	16,513
At 31st March, 2011	5,649	2,119,790	113,020	7,216	223,909	16,653	12,556	(8,908)	804	22,249	–	(136,676)	2,376,262	6,566	2,382,828

Note: *Special reserve of the Group represents the difference between the nominal value of the share capital of the subsidiaries acquired and the nominal amount of the share capital of the Company issued as consideration under the group reorganisation in 1994.*

CONSOLIDATED STATEMENT OF CASH FLOWS
(for the year ended 31st March, 2011)

	2011	2010
	HK$'000	*HK$'000*
		(Restated)
OPERATING ACTIVITIES		
Profit before taxation	100,126	102,960
Adjustments for:		
Finance costs	108,391	124,063
Equity-settled share-based payments expense	16,513	1,348
Depreciation of property, plant and equipment	6,863	12,015
Amortisation of premium on prepaid lease payments of leasehold land	1,140	2,737
Allowance for bad and doubtful debts	635	889
Release of prepaid lease payments of leasehold land	225	525
Increase in fair value of investment properties under development	(136,622)	(76,882)
Compensation income from repossession of land	(110,970)	–
Net gain on financial instruments	(17,736)	(59,081)
Share of results of associates	(14,564)	11,050
Other interest income	(14,492)	(14,126)
Write back of accrued charges	(11,593)	–
Interest income on consideration receivable from purchaser of disposal group	(8,757)	–
Interest income on convertible bonds	(3,536)	(6,382)
Interest income on unsecured loan due from associates	(3,060)	(634)
Net gain on disposal of a development project under a jointly controlled operation	(791)	–
Bank interest income	(523)	(242)
(Gain) loss on disposal of property, plant and equipment	(122)	99
Share of results of joint ventures	(98)	(95)
Impairment loss recognised on advance to a jointly controlled entity	–	11,022
Reversal of impairment losses on properties interests	–	(55,458)
Gain on deemed disposal of subsidiaries	–	(637)
Operating cash flows before movements in working capital	(88,971)	53,171
(Increase) decrease in inventories	(771)	220
Decrease in properties held for sale	99,195	47,604
Decrease in financial assets at fair value through profit or loss	43,638	65,632
Increase in debtors, deposits and prepayments	(41,629)	(49,725)
Increase in other loan receivables	(47,020)	(3,294)
(Decrease) increase in creditors, deposits and accrued charges	(16,674)	57,060
Cash (used in) generated from operations	(52,232)	170,668
Interest paid	(20,027)	(23,204)
Overseas taxation paid	(95)	(354)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(72,354)	147,110

	NOTES	2011 HK$'000	2010 HK$'000 (Restated)
INVESTING ACTIVITIES			
Deposits received for disposal of subsidiaries		526,826	–
Compensation received from repossession of land		158,245	–
Consideration received from disposal of development project held by a jointly controlled operation	20	79,688	–
Advance to a jointly controlled operation		(13,311)	(11,488)
Decrease in pledged bank deposits		42,200	2,426
Redemption of convertible bonds receivable		39,600	–
Interest received		8,332	242
Proceeds from disposal of available-for-sale investments		4,181	14,023
Dividend received		2,653	16,674
Proceeds from disposal of property, plant and equipment		1,212	309
Investment in associate		(103,117)	(102,428)
Refundable earnest money paid		(71,535)	(47,800)
Refundable earnest money received	31	89,969	–
Addition of investment properties under development		(29,445)	(4,051)
Purchase of property, plant and equipment		(24,707)	(11,307)
Advance to associates		(52,603)	(28,785)
Repayment from an associate		30,000	–
Deemed disposal of subsidiaries (net of cash and cash equivalents disposed)	43	–	(55,158)
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	42	–	(36,035)
Loan advance to a jointly controlled entity		–	(12,050)
Purchase of available-for-sale investments		–	(8,518)
Repayment of unsecured loan and interest due from a related company		–	48,437
NET CASH FROM (USED IN) INVESTING ACTIVITIES		688,188	(235,509)
FINANCING ACTIVITIES			
Redemption of convertible bond payable		(537,082)	–
Repayment of bank and other borrowings		(93,967)	(367,268)
Expenses paid in connection with issue of shares		(2,467)	–
Repayment of obligations under finance leases		(98)	(130)
Repayment to non-controlling shareholders of subsidiaries		(7)	(151)
Proceeds from issue of shares		150,400	–
New bank and other borrowings raised		13,000	492,621
Exercise of warrants		–	2

	NOTES	2011 HK$'000	2010 HK$'000 (Restated)
NET CASH (USED IN) FROM FINANCING ACTIVITIES		(470,221)	125,074
NET INCREASE IN CASH AND CASH EQUIVALENTS		145,613	36,675
CASH AND CASH EQUIVALENTS AT 1ST APRIL		160,661	124,035
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		257	(49)
CASH AND CASH EQUIVALENTS AT 31ST MARCH,		306,531	160,661
represented by			
Bank balances and cash		294,755	160,661
Cash and cash equivalents included in assets classified as held for sale	*30*	11,776	–
		306,531	160,661

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(for the year ended 31st March, 2011)

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office of the Company is Clarendon House, Church Street, Hamilton HM 11, Bermuda and the principal place of business of the Company is Unit 3102, 31/F., Bank of America Tower, 12 Harcourt Road, Central, Hong Kong.

The consolidated financial statements are prepared in Hong Kong dollars, which is the same as the functional currency of the Company.

The Company is an investment holding company. The principal activities of the Group are property development and investment in Macau, the Mainland People's Republic of China (the "PRC") and Hong Kong, development and operation of golf resort and hotel in the PRC, securities investment and loan financing services. The activities of its principal subsidiaries are set out in note 51.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS")

In the current year, the Group has applied the following new and revised Standards, Amendments and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (as revised in 2008)	Business Combinations
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets
HKAS 27 (as revised in 2008)	Consolidated and Separate Financial Statements
HKAS 32 (Amendments)	Classification of Rights Issues
HKAS 39 (Amendments)	Eligible Hedged Items
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners
HK – Int 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

Except as described below, the application of the new and revised Standards and Interpretations in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

Amendments to HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" (as part of Improvements to HKFRSs issued in 2009)

The amendments to HKFRS 5 clarify that the disclosure requirements in HKFRSs other than HKFRS 5 do not apply to non-current assets (or disposal groups) classified as held for sale or discontinued operations unless those HKFRSs require (i) specific disclosures in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations, or (ii) disclosures about measurement of assets and liabilities within a disposal group that are not within the scope of the measurement requirement of HKFRS 5 and the disclosures are not already provided in the consolidated financial statements.

Disclosures in these consolidated financial statements have been modified to reflect the above clarification.

Amendments to HKAS 17 "Leases"

As part of *Improvements to HKFRSs* issued in 2009, HKAS 17 *Leases* has been amended in relation to the classification of leasehold land. Before the amendments to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as properties held for sale in the consolidated statement of financial position. The amendments to HKAS 17 have removed such a requirement. The amendments require that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.

In accordance with the transitional provisions set out in the amendments to HKAS 17, the Group reassessed the classification of unexpired leasehold land as at 1st April, 2010 based on information that existed at the inception of the leases. Leasehold land held for undetermined future use which was previously classified as interests in land held under operating lease and now qualifies for finance lease classification under the amendments has been reclassified from properties held for sale to investment properties retrospectively. This resulted in properties held for sale with the carrying amounts of HK$104,000,000 and HK$141,933,000 as at 1st April, 2009 and 31st March, 2010, respectively being reclassified to investment properties under development.

As at 31st March, 2011, leasehold land which qualifies for finance lease classification under the amendments with the carrying amount of HK$185,000,000 has been included in investment properties under development. The application of the amendments to HKAS 17 has resulted in reclassification of reversal of impairment losses on property interests in the amount of HK$37,133,000 to increase in fair value of investment properties under development in the consolidated income statement in the prior year.

Amendments to HKAS 12 "Income Taxes"

Amendments to HKAS 12 titled *Deferred Tax: Recovery of Underlying Assets* have been applied in advance of their effective date (annual periods beginning on or after 1st April, 2012). Under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 *Investment Property* are presumed to be recovered through sale, unless the presumption is rebutted in certain circumstances.

As a result, the Group's investment properties under development that are measured using the fair value model have been presumed to be recovered through sale for the purpose of measuring deferred tax liabilities and deferred tax assets in respect of such properties. The Group now measures any deferred tax liability in respect of the Group's investment properties under development with reference to the tax liability that would arise if the investment properties under development were disposed of at their carrying amounts at the reporting date, unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property under development over time, rather than through sale. Previously, where these properties were held under leasehold interests, deferred tax was generally measured using the tax rate that would apply as a result of recovery of the assets value through use.

Accordingly, in the current year, no deferred tax has been provided for in respect of changes in fair value of such investment properties under development under Amendments to HKAS 12. The adoption of amendments has resulted in an increase in profit for the year and basic and diluted earnings per share of the Group of HK$18.8 million (2010: Nil) and HK$0.03 (2010: Nil) respectively for the year ended 31st March, 2011. In prior year, the Group has not recognised such deferred tax liabilities due to the insignificance of the corresponding deferred tax effect.

Summary of the effects of the above changes in accounting policies

The effects of the changes in accounting policies described above on the results for the current and prior years by line items are as follows:

	2011	**2010**
	HK$'000	*HK$'000*
Increase in fair value of investment properties under development	–	37,133
Decrease in reversal of impairment losses on property interests	–	(37,133)
Decrease in taxation	18,835	–
Increase in profit for the year	18,835	–

The effects of the above changes in accounting policies on the financial position of the Group as at 1st April, 2009 and 31st March, 2010 are as follows:

	As at 1.4.2009 (originally stated)	**Adjustments**	**As at 1.4.2009 (restated)**	**As at 31.3.2010 (originally stated)**	**Adjustments**	**As at 31.3.2010 (restated)**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Investment properties under development	–	104,000	104,000	232,000	141,933	373,933
Properties held for sale	539,388	(104,000)	435,388	901,222	(141,933)	759,289
Total effects on net assets	539,388	–	539,388	1,133,222	–	1,133,222
Total effects on equity	–	–	–	–	–	–

The effects of the above changes in accounting policies on the Group's basic and diluted earnings per share for the current and prior year are as follows:

Impact on basic and diluted earnings per share

	Impact on basic earnings per share		**Impact on diluted earnings per share**	
	2011	**2010**	**2011**	**2010**
	HK dollar	*HK dollar*	*HK dollar*	*HK dollar*
Figures before adjustment	0.12	0.22	0.12	0.22
Adjustment arising from changes in the Group's accounting policies in relation to deferred tax for investment properties	0.03	–	0.03	–
Figures after adjustment	0.15	0.22	0.15	0.22

The Group has not early applied the following new and revised Standards, Amendments and Interpretations that have been issued but are not yet effective:

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010[1]
HKFRS 1 (Amendments)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adoptiors[2]
HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[3]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[3]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[4]
HKFRS 11	Joint Arrangements[4]
HKFRS 12	Disclosure of Interests in Other Entities[4]
HKAS 24 (as revised in 2009)	Related Party Disclosures[5]
HKAS 27 (as revised in 2011)	Separate Financial Statements[4]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[4]
HK(IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[5]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[2]

1 Effective for annual periods beginning on or after 1st July, 2010 or 1st January, 2011, as appropriate.
2 Effective for annual periods beginning on or after 1st July, 2010.
3 Effective for annual periods beginning on or after 1st July, 2011.
4 Effective for annual periods beginning on or after 1st January, 2013.
5 Effective for annual periods beginning on or after 1st January, 2011.

HKFRS 9 "Financial Instruments" (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 "Financial Instruments" (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss is presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1st April, 2013, with earlier application permitted.

The directors anticipate that HKFRS 9 that will be adopted in the Group's consolidated financial statements for the financial year ending 31st March, 2014. Based on an analysis of the Group's financial assets as at 31st March, 2011, the application of the new standard will affect the classification and measurement of the Group's available-for-sale equity investments but will not have a significant impact on the amounts reported in respect of the Group's other financial assets.

As at 31st March 2011, no financial liability has been designated as at fair value through profit and loss. The application of IFRS 9 will affect the measurement of such financial liability if designation is made in the future.

The directors are in the process of assessing the impact of the new and revised HKFRSs.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments and investment properties under development, which are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The significant accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Prior to 1st April, 2010, losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity were allocated against the interests of the Group except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries on or after 1st April, 2010

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Changes in the Group's ownership interests in existing subsidiaries prior to 1st April, 2010

Increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised where appropriate. For decreases in interests in subsidiaries, regardless of whether the disposals would result in the

Group losing control over the subsidiaries, the difference between the consideration received and the adjustment to the non-controlling interests was recognised in profit or loss.

Business combinations

Business combinations that took place on or after 1st April, 2010

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair values at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefits respectively;

- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment transactions with share-based payment transactions of the Group are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquire (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair values or another measurement basis required by another Standard.

Business combinations that took place prior to 1st April, 2010

Acquisition of businesses was accounted for using the purchase method. The cost of the acquisition was measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that met the relevant conditions for recognition were generally recognised at their fair values at the acquisition date.

Goodwill arising on acquisition was recognised as an asset and initially measured at cost, being the excess of the cost of the acquisition over the Group's interest in the recognised amounts of the identifiable assets, liabilities and contingent liabilities recognised. If, after assessment, the Group's interest in the recognised amounts of the acquiree's identifiable assets, liabilities and contingent liabilities exceeded the cost of the acquisition, the excess was recognised immediately in profit or loss.

The minority interest in the acquiree was initially measured at the minority interest's proportionate share of the recognised amounts of the assets, liabilities and contingent liabilities of the acquiree.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units, or groups of cash-generating units that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently whenever there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated income statement. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Investments in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale (in which case it is accounted for under HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations). Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group' consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Joint ventures

Jointly controlled operations

When a group entity undertakes its activities under joint venture arrangements directly, constituted as jointly controlled operations, the assets and liabilities arising from those jointly controlled operations are recognised in the statement of financial position of the relevant company on an accrual basis and classified according to the nature of the item. The Group's share of the income from jointly controlled operations, together with the expenses that it incurs are included in the consolidated income statement when it is probable that the economic benefits associated with the transactions will flow to/from the Group.

Jointly controlled entities

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

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the jointly controlled entities. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a jointly controlled entity. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its jointly controlled entity, profits and losses resulting from the transactions with the jointly controlled entity are recognised in the Group' consolidated financial statements only to the extent of interests in the jointly controlled entity that are not related to the Group.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amounts and fair values less costs to sell.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue in relation to hotel and golf club operations are recognised when the services are provided.

Golf club annual subscription fees are recognised on a straight-line basis over the subscription period of one year.

Golf club membership transfer fees are recognised upon approval of the transfer by the management committee of the golf operations.

Building management fee income is recognised on a straight-line basis over the relevant period in which the services are rendered.

Sales of securities investments are recognised when the related bought and sold notes are executed.

Sales of completed properties are recognised when the respective properties have been completed and delivered to the buyers.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

Property, plant and equipment

Property, plant and equipment, including building held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress) are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment other than construction in progress less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investment properties under development

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

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

Construction costs incurred for investment properties under development are capitalised as part of the carrying amount of the investment properties under development.

An investment property under development is derecognised upon disposal or when the investment property under development is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognised.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair values at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's policy on borrowing costs (see the accounting policy below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment or investment properties under development, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease.

Premium on prepaid lease payments of leasehold land

Premium on prepaid lease payments of leasehold land represents premium on acquisition of prepaid lease payments of land use rights as a result of acquisition of subsidiaries, which are stated at cost and amortised on the same basis as the related land use rights.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which case, the exchange differences are also recognised directly in other comprehensive income.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the translation reserve).

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefit costs

Payments to the defined contribution retirement benefit plans and state-managed retirement benefit schemes are charged as an expense when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model in accordance with HKAS 40 Investment Property, such properties are presumed to be recovered through sale. Such a presumption is rebutted when the investment property is depreciable and is held within a business model of the Group whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax liabilities and deferred tax assets for such investment properties are measured in accordance with the above general principles set out in HKAS 12 (i.e. based on the expected manner as to how the properties will be recovered).

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Properties held for sale

Properties held for sale are classified as current assets and are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to professional valuations or directors' estimates based on prevailing market conditions.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

Financial assets at fair value through profit or loss

Financial assets at FVTPL represent financial assets held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including loans due from a jointly controlled entity, loan to a joint venture, unsecured loans and interest due from associates/a related company, debt portion of convertible bonds (see accounting policy below), debtors, other loan receivables, amounts due from associates, pledged bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Debt portion of convertible bonds

Convertible bonds held by the Group are separately recognised as a debt portion and derivatives embedded in convertible bonds. On initial recognition, the debt portion of the convertible bonds and the embedded derivatives are recognised separately at fair value. The debt portion is subsequently measured at amortised cost using the effective interest method.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

Available-for-sale financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in available-for-sale investments reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in available-for-sale investments reserve is reclassified to profit or loss (see accounting policy on impairment loss on financial assets below).

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair values at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss. In all other circumstances, derivatives embedded are not separated and are accounted for together with the host contracts in accordance with appropriate standards.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as debtors and other loan receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 days and the repayment date of other loan receivables respectively, and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of debtors and other loan receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a debtor or an other loan receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in available-for-sale investments reserve.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities including creditors, amount due to a non-controlling shareholder of a subsidiary, and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Convertible note payables

Convertible note payables issued by the Company that contain both the liability and conversion option components are classified separately into respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible note payables and the fair value assigned to the liability component, representing the conversion option for the holder to convert the loan notes into equity, is included in equity (convertible loan notes equity reserve).

In subsequent periods, the liability component of the convertible loan notes is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in convertible loan notes equity reserve until the embedded option is exercised (in which case the balance stated in convertible loan notes equity reserve will be transferred to share premium. Where the option remains unexercised at the expiry date, the balance stated in convertible loan notes equity reserve will be released to the accumulated losses). No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible note payables are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible note payables using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Warrants

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

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

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Equity-settled share-based payment transactions

Share options granted to employees and others providing similar services

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share-based payment reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to share-based payment reserve.

At the time when the share options are exercised, the amount previously recognised in share-based payment reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based payment reserve will be transferred to accumulated losses.

Share options granted to suppliers/consultants

Share options issued in exchange for goods or services are measured at the fair values of the goods or services received, unless that fair value cannot be reliably measured, in which case the goods or services received are measured by reference to the fair value of the share options granted. The fair values of the goods or services received are recognised as expenses, with a corresponding increase in equity (share-based payment reserve), when the Group obtains the goods or when the counterparties render services, unless the goods or services qualify the recognition as assets.

Impairment losses on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Allowance on other loan receivables

As at 31st March, 2011, the carrying amount of other loan receivables, was HK$259,041,000 (2010: HK$212,021,000). The Group performs ongoing credit evaluations of its borrowers and adjusts credit limits based on payment history and the borrowers' current credit-worthiness, as determined by the review of their current credit information. The Group continuously monitors collections and payments from its borrowers based upon the present value of the estimated future cash flows discounted at the original effective interest rate. If the financial conditions of the borrowers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be considered.

Fair value of investment properties under development

Investment properties under development are carried in the consolidated statement of financial position at 31st March, 2011 at their fair value of HK$540,000,000 (2010: HK$373,933,000). The fair value was based on a valuation on these properties conducted by independent firms of professional valuers using property valuation techniques which involve certain assumptions of market conditions. Favourable or unfavourable changes to these assumptions would result in changes in the fair value of the Group's investment properties under development and corresponding adjustments to the amount of gain or loss reported in the consolidated income statement.

Estimated impairment on properties held for sale

As at 31st March, 2011, the carrying amounts of properties held for sale were HK$660,094,000 (2010: HK$759,289,000). In determining whether impairment on properties held for sale is required, the Group takes into consideration the current market environment whenever events or changes in circumstances indicate that the carrying amount of the assets exceeds its recoverable amount. Impairment is recognised if the estimated recoverable amount is lower than its carrying amount. If the market environment/circumstances changes significantly, resulting in a decrease in the recoverable amount of these properties held for sales, impairment loss may be required.

Income taxes

As at 31st March, 2011, no deferred tax asset has been recognised on the tax losses of HK$688,462,000 (2010: HK$621,132,000) due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future.

5. SEGMENT INFORMATION

The segment information reported externally was analysed on the basis of their goods and services delivered or provided by the Group's operating divisions which is consistent with the internal information that are regularly reviewed by the executive directors of the Company, the chief operating decision maker (the "CODM"), for the purposes of resource allocation and assessment of performance. This is also the basis of organisation in the Group, whereby the management has chosen to organise the Group around differences in products and services.

The Group's reportable and operating segments are as follows:

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

Information regarding these segments is reported below.

For the year ended 31st March, 2011

	Turnover HK$'000 *(Note a)*	Segment revenue HK$'000 *(Note b)*	Operating profit (loss) HK$'000 *(Note c)*	Share of results of joint ventures HK$'000	Share of results of associates HK$'000	Finance costs HK$'000	Segment results: profit (loss) before taxation HK$'000 *(Note e)*
Property	157,331	157,331	282,123	98	24,894	(9,549)	297,566
Golf and leisure *(Note d)*	54,096	54,096	(6,608)	–	–	(1,397)	(8,005)
Securities investments	34,537	32	13,098	–	–	–	13,098
Finance	15,023	15,023	12,736	–	–	–	12,736
SEGMENT TOTAL	260,987	226,482	301,349	98	24,894	(10,946)	315,395
Central administrative costs	–	–	(107,494)	–	(10,330)	(97,445)	(215,269)
GROUP TOTAL	260,987	226,482	193,855	98	14,564	(108,391)	100,126

For the year ended 31st March, 2010

	Turnover HK$'000 *(Note a)*	Segment revenue HK$'000 *(Note b)*	Operating profit (loss) HK$'000 *(Note c)*	Share of results of joint ventures HK$'000	Share of results of associates HK$'000	Finance costs HK$'000	Segment results: profit (loss) before taxation HK$'000 *(Note e)*
Property	57,948	57,948	138,201	95	(11,050)	(12,666)	114,580
Golf and leisure *(Note d)*	55,214	55,214	(18,519)	–	–	(2,010)	(20,529)
Securities investments	186,438	111,830	169,764	–	–	(2)	169,762
Finance	14,758	14,758	20,886	–	–	–	20,886
SEGMENT TOTAL	314,358	239,750	310,332	95	(11,050)	(14,678)	284,699
Central administrative costs	–	–	(72,354)	–	–	(109,385)	(181,739)
GROUP TOTAL	314,358	239,750	237,978	95	(11,050)	(124,063)	102,960

Notes:

(a) *Turnover as set out above comprises rental income and sales proceeds of properties, revenue from golf and leisure operations, loan financing income, dividend income from investments held-for-trading and gross proceeds from disposal of investments held-for-trading.*

(b) *Revenue as set out above comprises rental income and sales proceeds of properties, revenue from golf and leisure operations, loan financing income, dividend income from investments held-for-trading and net gain from disposal of investments held-for-trading. All segment revenue are from external customers.*

(c) *The aggregate of the operating profit (loss) of the operating segments as set out above comprises the Group's gross profit, income from loan financing, net gain on financial instruments, other income and gains, increase in fair value of investment properties under development and reversal of impairment losses on property interests, less impairment loss recognised on advance to a jointly controlled entity and certain administrative expenses of HK$84,189,000 (2010: HK$75,781,000).*

(d) *Turnover and revenue of golf and leisure segment as set out above comprise rental income and other revenue from golf and leisure operations.*

(e) *The segment result of the property segment includes increase in fair value of investment properties under development of HK$136,622,000 (2010: HK$76,882,000) and compensation income of HK$110,970,000 (2010: Nil) for repossession of land by the People's Republic of China (the "PRC") Government.*

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Segment profit (loss) represents the profit earned by (loss from) each segment without allocation of central administrative costs, directors' emoluments, share of results of certain associates, and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

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

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segment:

	Segment assets		Segment liabilities	
	2011	**2010**	**2011**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Property	3,291,917	3,099,496	525,320	472,195
Golf and leisure	19,366	352,867	20,380	163,126
Securities investments	171,081	194,360	1,484	1,488
Finance	374,687	342,569	18	20
Segment total	3,857,051	3,989,292	547,202	636,829
Unallocated:				
Asset classified as held for sale/liabilities associated with assets classified as held for sale	343,066	–	91,351	–
Bank balances and cash and pledged bank deposits	294,755	202,861	–	–
Deposits received for disposal of subsidiaries	–	–	526,826	–
Convertible note payables	–	–	987,598	1,436,316
Others	67,650	16,803	26,717	13,988
Total	4,562,522	4,208,956	2,179,694	2,087,133

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than assets classified as held for sale, certain property, plant and equipment, certain debtors, deposits and prepayments of the corporate offices, bank balances and cash and pledged bank deposits; and
- all liabilities are allocated to operating segments other than liabilities associated with assets classified as held for sale, convertible note payables, deposits received for disposal of subsidiaries, deposits and accrued charges of the corporate offices.

Geographical information

The Group's revenue from external customers based on location of properties and goods delivered or services delivered and information about its non-current assets, excluding financial assets and deposits and expenses paid for acquisition of subsidiaries, by geographical location of the assets are detailed below:

	Revenue from external customer		Carrying amount of non-current assets		
	2011	**2010**	**31.3.2011**	**31.3.2010**	**1.4.2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Restated)	(Restated)
PRC	54,163	55,214	202,404	433,921	324,642
Hong Kong	9,491	124,210	550,299	382,861	302,092
Macau	156,184	55,837	196,354	191,261	134,809
Others	6,644	4,489	–	–	–
	226,482	239,750	949,057	1,008,043	761,543

Information about major customers

Revenue from customers of property segment of the corresponding years contributing over 10% of the total sales of the Group:

	2011	**2010**
	HK$'000	*HK$'000*
Customer A	86,497	45,147

Other segment information

	Addition to fixed assets and investment properties under development		Depreciation and amortisation		Increase in fair value of investment properties under development		Reversal of impairment losses on property interests		Interest income	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(Restated)				(Restated)		(Restated)		
Property	29,445	4,051	185	185	136,622	76,882	–	(55,458)	17,552	14,131
Golf and leisure	21,107	8,615	5,237	12,334	–	–	–	–	8,757	726
Securities investments	–	–	–	–	–	–	–	–	–	1
Finance	–	–	–	–	–	–	–	–	18,559	21,140
	50,552	12,666	5,422	12,519	136,622	76,882	–	(55,458)	44,868	35,998
Unallocated	3,736	2,692	2,806	2,758	–	–	–	–	523	144
Total	54,288	15,358	8,228	15,277	136,622	76,882	–	(55,458)	45,391	36,142

6. REVENUE

Revenues include revenue from property development and investment, golf and leisure operations, loan financing income, dividend income from investments held-for-trading and net gain on disposal of investments held-for-trading.

Revenue represents the aggregate of the amounts received and receivable from third parties, net of discounts and sales related taxes for the year. An analysis of Group's revenue for the year is as follows:

	2011	**2010**
	HK$'000	*HK$'000*
Net gain on disposal of investments held-for-trading	–	111,582
Sales of properties	156,184	55,837
Hotel operations	10,690	16,146
Green fees, practice balls and car rental income	19,127	14,865
Loan interest income	15,023	14,758
Food and beverage sales	8,304	8,545
Rental income	7,557	8,429
Golf club subscription fees and handling fees	7,114	7,162
Pro shop sales	2,451	2,178
Dividend income from financial instruments	32	248
	226,482	239,750

7. NET GAIN ON FINANCIAL INSTRUMENTS

	2011	**2010**
	HK$'000	*HK$'000*
Increase in fair values of:		
– investments held-for-trading held at the end of reporting period	20,544	38,571
Dividend income on available-for-sales investments	2,621	16,426
Dividend income on investments held-for-trading	32	248
Gain on disposal of available-for-sale investments	109	3,836
Net (loss) gain on disposal of investments held-for-trading	(9,261)	111,582
Loss on redemption of convertible bonds *(Note 23)*	(5,570)	–
	8,475	170,663

8. OTHER INCOME AND GAINS

	2011	2010
	HK$'000	*HK$'000*
Bank interest income	523	242
Exchange gain, net	4,578	–
Net gain on disposal of a development project under a jointly controlled operation *(Note 20)*	791	–
Gain on disposal of fixed assets, net	122	–
Interest income on convertible bonds	3,536	6,382
Imputed interest on unsecured loan due from an associate	3,060	634
Interest income on consideration receivable from purchaser of disposal group *(Note 30)*	8,757	–
Other interest income *(Note)*	14,492	14,126
Write back of accrued charges	11,593	–
Others	3,895	7,389
Net compensation income from Government repossession of land *(Note 24)*	110,970	–
	162,317	28,773

Note: The interest income comprises interest income receivable from a shareholder of an associate in respect of unsecured loans of HK$281,150,000 due from an associate which was advanced to the associate as the shareholder did not provide its portion of the loans. Details are set out in note 21.

9. REVERSAL OF IMPAIRMENT LOSSES ON PROPERTY INTERESTS

During the year ended 31st March, 2010, the Directors conducted a review of the Group's properties held for sale and determined that the recoverable amount of the asset is higher than its carrying amount, due to increase of open market values based on the valuation report conducted by RHL Appraisal Limited. The valuation was arrived at by reference to market evidence of transaction prices for similar properties in the same locations and conditions and have taken into account the cost expended and to be expended to complete the development. Accordingly, a reversal of impairment losses of HK$55,458,000 (2011: Nil) was recognised in profit or loss.

10. FINANCE COSTS

	2011	2010
	HK$'000	*HK$'000*
Effective interest on convertible note payables	97,424	109,265
Interest on bank and other borrowings wholly repayable within five years	10,948	14,772
Interest on obligations under finance leases	19	26
	108,391	124,063

11. TAXATION

	2011 HK$'000	2010 HK$'000
Current tax:		
Hong Kong Profits Tax	–	–
PRC Enterprise Income Tax	19,087	124
	19,087	124
Underprovision in prior years:		
Hong Kong Profits Tax	–	668
PRC Enterprise Income Tax	81	–
	81	668
Deferred tax *(Note 37)*:		
Current year	1,122	(684)
	20,290	108

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both years.

No provision for taxation has been made as the Group's income neither arises in, nor is derived from, Hong Kong.

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

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1st January, 2008 onwards. For companies that were qualified under old law or regulations for incentive tax rate of 15%, the tax rate will progressively increase to 18%, 20%, 22%, 24% and 25% in year 2008, 2009, 2010, 2011 and 2012, respectively. For companies that were still entitled to certain exemption and reliefs ("Tax Benefit") from PRC income tax, the EIT Law allowed the companies to continue to enjoy the Tax Benefit and afterwards change the tax rate to 25%.

The tax charge for the year can be reconciled to the profit before taxation per the consolidated income statement as follows:

	2011 HK$'000	2010 HK$'000
Profit before taxation	100,126	102,960
Tax at the Hong Kong Profits Tax rate at 16.5%	16,521	16,988
Tax effect of share of results of joint ventures and associates	(2,419)	1,808
Tax effect of expenses not deductible for tax purpose	29,169	22,760
Tax effect of income not taxable for tax purpose	(35,370)	(30,591)
Underprovision in previous year	81	668
Tax effect of deductible temporary differences not recognised	13,869	13,396
Utilisation of deductible temporary differences previously not recognised	–	(22,933)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(1,561)	(1,988)
Tax charge for the year	20,290	108

12. PROFIT FOR THE YEAR

	2011	2010
	HK$'000	*HK$'000*
		(Restated)
Profit for the year has been arrived at after charging (crediting):		
Auditor's remuneration		
– current year	3,453	3,301
– underprovision in previous years	58	127
	3,511	3,428
Directors' emoluments *(Note 13(a))*	27,235	20,897
Other staff costs:		
Salaries and other benefits	46,044	39,811
Equity-settled share-based payments expense to employees	5,848	450
Retirement benefits scheme contributions	6,243	1,513
Total staff costs	85,370	62,671
Cost of inventories recognised as an expense (including reversal of impairment losses on property interests of HK$55,458,000 for the year ended 31st March, 2010 (2011: Nil))	135,352	(380)
Depreciation of property, plant and equipment	6,863	12,015
Release of prepaid lease payments of leasehold land	225	525
Amortisation of premium on prepaid lease payments of leasehold land	1,140	2,737
Total depreciation and amortisation	8,228	15,277
(Gain) loss on disposal of property, plant and equipment	(122)	99
Net exchange (gain) loss	(4,578)	369
Allowance for bad and doubtful debts	635	889

13. DIRECTORS' EMOLUMENTS AND HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

The emoluments paid or payable to each of the ten (2010: nine) directors were as follows:

		Other emoluments				
	Fees	Salaries and other benefits	Discretionary and performance related incentive payments	Equity-settled share-based payments expense	Retirement benefits scheme contributions	Total emoluments
	HK$'000	*HK$'000*	*HK$'000* *(Note)*	*HK$'000*	*HK$'000*	*HK$'000*
2011						
Cheung Hon Kit	10	2,880	2,500	3,197	12	8,599
Chan Fut Yan	10	2,640	2,200	2,377	264	7,491
Cheung Chi Kit	10	1,800	1,500	1,722	90	5,122
Lai Tsan Tung, David	240	1,762	–	1,230	12	3,244
Chan Yiu Lun, Alan	120	–	–	1,230	–	1,350
Ma Chi Kong, Karl	120	–	–	303	–	423
Qiao Xiaodong	60	–	–	–	–	60
Wong Chi Keung, Alvin	120	–	–	303	–	423
Kwok Ka Lap, Alva	120	–	–	303	–	423
Shek Lai Him, Abraham	100	–	–	–	–	100
	910	9,082	6,200	10,665	378	27,235
2010						
Cheung Hon Kit	10	2,880	2,500	275	12	5,677
Chan Fut Yan	10	2,640	2,000	165	264	5,079
Cheung Chi Kit	10	1,800	1,500	118	90	3,518
Lai Tsan Tung, David	240	1,762	1,500	72	12	3,586
Chan Yiu Lun, Alan	10	–	–	10	–	20
Ma Chi Kong, Karl	37	2,353	–	189	9	2,588
Qiao Xiaodong	120	–	–	3	–	123
Wong Chi Keung, Alvin	120	–	–	33	–	153
Kwok Ka Lap, Alva	120	–	–	33	–	153
	677	11,435	7,500	898	387	20,897

Note: *The amounts included performance related incentive payment which is determined by the performance of the directors for both years.*

No directors waived any emoluments during the current and prior years.

(b) Highest paid individuals

Of the five individuals with the highest emoluments in the Group, four (2010: five) were directors of the Company whose emoluments are included in the disclosures in note 13(a) above. The emoluments of the remaining one (2010: Nil) individual was as follows:

	2011	**2010**
	HK$'000	*HK$'000*
Salaries and other benefits	1,476	–
Discretionary and performance related incentive payment	300	–
Equity-settled share-based payments expense	877	–
Retirement benefits scheme contributions	12	–
	2,665	–

During both years, no emoluments were paid by the Group to the five highest paid individuals, including directors and employees, as an inducement to join or upon joining the Group or as compensation for loss of office.

14. EARNINGS PER SHARE

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

	2011	**2010**
	HK$'000	*HK$'000*
Earnings:		
Profit for the year attributable to the owners of the Company and profit for the purposes of basic and diluted earnings per share	80,455	102,852
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	547,407,268	470,917,854

The calculation of diluted earnings per share for both years has not assumed the exercise of the share options and warrants because the exercise prices of those instruments were higher than average market price for the Company's shares during both years, nor assumed the conversion of convertible notes because their exercise would result in an increase in earnings per share.

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvements	Plant and machineries	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST							
At 1st April, 2009	145,501	4,402	10,980	5,984	5,208	30,354	202,429
Exchange adjustments	(5)	1	(3)	3	7	80	83
Additions	3	820	–	570	2,606	7,308	11,307
Transfer	236	–	–	–	–	(236)	–
Deemed disposal of subsidiaries	–	(136)	–	(127)	(174)	–	(437)
Disposals	(677)	(4)	(295)	(154)	(722)	–	(1,852)
At 31st March, 2010	145,058	5,083	10,682	6,276	6,925	37,506	211,530
Exchange adjustments	5,152	33	351	164	154	1,678	7,532
Additions	1,112	2,368	720	1,022	996	18,625	24,843
Reclassified as held for sale *(Note 30)*	(146,698)	(376)	(9,115)	(3,833)	(3,556)	(57,809)	(221,387)
Disposals	–	(586)	(2,638)	(469)	(646)	–	(4,339)
At 31st March, 2011	4,624	6,522	–	3,160	3,873	–	18,179
DEPRECIATION							
At 1st April, 2009	9,043	1,425	1,937	2,092	1,708	–	16,205
Exchange adjustments	66	2	12	8	5	–	93
Provided for the year	6,603	1,773	1,357	1,080	1,202	–	12,015
Eliminated on deemed disposal of subsidiaries	–	(5)	–	(5)	(10)	–	(20)
Eliminated on disposals	(613)	(1)	(262)	(93)	(475)	–	(1,444)
At 31st March, 2010	15,099	3,194	3,044	3,082	2,430	–	26,849
Exchange adjustments	579	21	88	86	57	–	831
Provided for the year	2,627	1,760	843	766	867	–	6,863
Eliminated on reclassification as held for sale *(Note 30)*	(17,765)	(13)	(2,062)	(2,304)	(1,413)	–	(23,557)
Eliminated on disposals	–	(554)	(1,913)	(201)	(581)	–	(3,249)
At 31st March, 2011	540	4,408	–	1,429	1,360	–	7,737
CARRYING VALUE							
At 31st March, 2011	4,084	2,114	–	1,731	2,513	–	10,442
At 31st March, 2010	129,959	1,889	7,638	3,194	4,495	37,506	184,681

The above items of property, plant and equipment other than construction in progress are depreciated on a straight-line basis at the following rates per annum:

Buildings	4% or over the remaining term of the relevant lease, if shorter
Leasehold improvements	33% or over the term of the relevant leases, if shorter
Plant and machineries	5% – 15%
Furniture, fixtures and equipment	10% – $33^1/_3$%
Motor vehicles	20%

The carrying values of buildings shown above are located in:

	2011	2010
	HK$'000	*HK$'000*
– Hong Kong on medium-term lease	4,084	4,269
– PRC on medium-term lease	–	125,690
	4,084	129,959

At 31st March, 2011, the carrying values of furniture, fixtures and equipment of the Group included an amount of HK$280,000 (2010: HK$225,000) in respect of assets held under finance leases.

16. PREPAID LEASE PAYMENTS OF LEASEHOLD LAND

The Group's prepaid lease payments of leasehold land comprise:

	2011	2010
	HK$'000	*HK$'000*
Land use rights in the PRC on medium-term lease	21,354	20,821
Reclassified as held for sale *(Note 30)*	(21,354)	–
	–	20,821

Analysed for reporting purposes as:

Current asset	–	530
Non-current asset	–	20,291
	–	20,821

17. PREMIUM ON PREPAID LEASE PAYMENTS OF LEASEHOLD LAND

The amount represents the premium on acquisition of prepaid lease payments for the rights to use land situated in the PRC on medium-term lease as a result of acquisition of subsidiaries in previous years, which is amortised on the same basis as the related prepaid lease payments of the relevant land use rights.

The movement of premium on prepaid lease payments is set out below:

	HK$'000
COST	
At 1st April, 2009 and 31st March, 2010	119,268
Reclassified as held for sale *(Note 30)*	(119,268)
At 31st March, 2011	–
AMORTISATION AND IMPAIRMENT	
At 1st April, 2009	7,710
Charge for the year	2,737
At 31st March, 2010	10,447
Charge for the year	1,140
Eliminated on reclassification as held for sale *(Note 30)*	(11,587)
At 31st March, 2011	–
CARRYING VALUE	
At 31st March, 2011	–
At 31st March, 2010	108,821

18. INVESTMENT PROPERTIES UNDER DEVELOPMENT

	HK$'000
FAIR VALUE	
At 1st April, 2009 (restated)	104,000
Reclassified from properties under development	189,000
Additions (restated)	4,051
Increase in fair value recognised in profit or loss (restated)	76,882
At 31st March, 2010 (restated)	373,933
Additions	29,445
Increase in fair value recognised in profit or loss	136,622
At 31st March, 2011	540,000

The carrying values of investment properties under development shown above are located in:

	31.3.2011	31.3.2010	1.4.2009
	HK$'000	*HK$'000*	*HK$'000*
		(Restated)	(Restated)
Hong Kong on medium-term lease	540,000	373,933	104,000

As at 1st April, 2009 and 31st March, 2010, the carrying values of investment properties under development include leasehold land held for undetermined future use of HK$104,000,000 and HK$141,933,000 respectively. As at 31st March, 2011, such leasehold land with carrying amount of HK$185,000,000 was being demolished for development into a serviced apartment.

The valuations for the investment properties under development have been arrived on a basis of valuations carried out on that date by RHL Appraisal Limited at adopting the Market-based valuation approach in respect of investment properties under development represented by the land being demolished for development with carrying amount of HK$185,000,000 as at 31st March, 2011 which makes reference to sales evidence of comparable properties in different locations or in a different condition and the Residual Method in respect of the remaining investment properties under development which makes reference to expectations of market participants of the value of the property when complete, less deductions for the costs required to complete the project, including construction costs, finance costs, professional fees and developer's profit margin which duly reflects the risks associated with the development of the properties and appropriate adjustments for profit and risk. The Residual Method has assumed that the investment properties under development will be completed in accordance with the development proposals.

The resulting increase in fair value of investment properties under development of HK$136,622,000 (2010: HK$76,882,000) has been recognised directly in profit or loss for the year ended 31st March, 2011.

At 31st March, 2011 and 2010, all of the Group's investment properties under development had been pledged to secure banking facilities granted to the Group.

19. AVAILABLE-FOR-SALE INVESTMENTS

	2011	2010
	HK$'000	*HK$'000*
Listed equity securities in		
– Hong Kong	–	4,887
– Overseas	44,684	39,982
	44,684	44,869

All available-for-sale investments are stated at fair value. The fair values of listed securities are determined based on the bid prices quoted in active markets.

20. INTERESTS IN JOINT VENTURES

Jointly controlled entities:

As at 31st March, 2011, the Group had interests in the following jointly controlled entities:

Name of the entity	Form of entity	Place of incorporation/ establishment	Class of shares held	Nominal value of issued and fully paid share capital	Proportion of nominal value of issued share capital held by the Group 2011 %	2010 %	Principal activity
Surplus Win Enterprises Limited	Incorporated	British Virgin Islands	Ordinary	US$2	50	50	Investment holding
Double Diamond International Limited	Incorporated	British Virgin Islands	Ordinary	US$100	40	40	Operating of pier

	2011 HK$'000	2010 HK$'000
Cost of unlisted investment in a jointly controlled entity	–	–
Share of post-acquisition profits	193	95
	193	95
Loans and interest due from a jointly controlled entity	12,050	12,050
Less: Impairment loss	(11,022)	(11,022)
	1,221	1,123

The summarised financial information in respect of the Group's interest in the jointly controlled entities, which is accounted for using the equity method, is set out below:

	2011 HK$'000	2010 HK$'000
Total assets	15,061	14,857
Total liabilities	(14,868)	(14,762)
The Group's share of net assets of jointly controlled entities	193	95
Income recognised in profit or loss	461	249
Expenses recognised in profit or loss	(363)	(154)
Other comprehensive income	–	–

Jointly controlled operation:

	2011	2010
	HK$'000	*HK$'000*
Interest in properties held for development	–	15,130
Loan to a jointly controlled operation	–	41,117
	–	56,247

In March 2008, the Group disposed of Panyu Golf, a 65% owned subsidiary of the Company, which held a golf resort known as "Guangzhou Lotus Hill Golf Resort" located at Panyu, Guangdong Province in the PRC. As part of the consideration for the disposal, the Group entered into a joint venture agreement to construct and develop certain residential units over a piece of land with a site area of approximately 48,000 sq. m. within the golf resort (the "Development Project"). The Group's interest in properties held for development represents its entitlement to share 65% of the residual value of the Development Project under the terms of the joint venture agreement.

In addition, according to the terms of the disposal, the Group is obliged to advance an aggregate of RMB40 million for construction use in the Development Project, of which approximately RMB6,785,000 (equivalent to HK$8,001,000) (2010: RMB10,098,000 (equivalent to HK$11,488,000)) was advanced by the Group during the current year. The loan is unsecured, interest bearing at prevailing market rate in the PRC with an effective interest rate of 5.4% (2010: 5.4%) per annum. In addition, the Group has advanced RMB4,503,000 (equivalent to HK$5,310,000) to the jointly controlled operation during the current year.

During the year, the Development Project was completed and disposed of, together with the loan to the jointly controlled operation, to an independent third party at a consideration of RMB68,850,000 (equivalent to HK$79,688,000). After deducting the related transaction costs and the loan balance, a net gain of HK$791,000 (2010: Nil) was recognised in profit or loss for the year ended 31st March, 2011.

21. INTERESTS IN ASSOCIATES/UNSECURED LOANS AND INTEREST DUE FROM ASSOCIATES

	2011	2010
	HK$'000	*HK$'000*
Cost of investment in associates, unlisted	417,791	350,535
Share of post-acquisition losses	(19,369)	(45,443)
	398,422	305,092
Loans and interests due from associates	1,219,859	1,154,411
Less: Loss and other comprehensive expense allocated in excess of cost of investment	(67,165)	(56,216)
	1,152,694	1,098,195
Analysed as:		
Current	354,991	–
Non-current	797,703	1,098,195
	1,152,694	1,098,195

The loans and interests due from associates of HK$1,219,859,000 (2010: HK$1,154,411,000) included a principal of HK$626,850,000 (2010: HK$626,850,000) which is unsecured, non-interest bearing and advanced to an associate based on its agreed portion of advance stated in the acquisition agreement. The fair value of this amount at initial recognition was arrived at based on the imputed interest rate of 5% (2010: 5%) per annum.

The balance also included an amount of approximately HK$281,150,000 (2010: HK$281,150,000) which is advanced to the associate as a shareholder did not make its proportionate contribution. The amount carries fixed interest at 5% (2010: 5%) per annum.

Before offering any new loan to associates, the Group will assess the associate's credit quality and the usage of the loan by the associate. The recoverability of the loan is reviewed throughout the year. The whole loans to associates are repayable upon request for repayment, so the balances are neither past due nor impaired and have no loan default history.

Pursuant to the Empresa De Fomento Industrial E Comercial Concórdia, S.A. ("Concordia") acquisition agreement, one of the subsidiaries of the Group further undertook to advance to Concordia a shareholder's loan of not more than HK$15,000,000 (2010: HK$15,000,000).

The Group has concentration of credit risk as 76% (2010: 77%) of the total unsecured loans and interest is due from only one associate which is a private company operating in Macau. The associate is mainly engaged in property development in Macau and owns a property development project which has commenced pre-sales during the year. In order to minimise the credit risk, management of the Group has monitored the repayment ability of the associates continuously.

During the year, the associates agreed that an amount of HK$354,991,000 of the loan will be repaid to the Group in July 2011, which would be financed by the proceeds from pre-sale of property development project held by the associates. Hence, this amount has been classified as current as at 31st March, 2011.

At 31st March, 2011 and 2010, the Group had interests in the following major associates:

Name of associate	Form of business structure	Place of incorporation/ establishment	Class of shares held	Nominal value of issued and fully paid/ registered share capital	Proportion of nominal value of issued/ registered share capital indirectly held by the Group 2011 %	2010 %	Principal activity
Concordia	Incorporated	Macau	Quota capital *(Note a)*	MOP100,000,000	35.5	35.5	Property development
Guizhou Hong De Real Estate Co., Ltd. ("Guizhou Hong De")	Incorporated	PRC	Registered capital	RMB400,000,000	45	45	Development and management of a hot spring and resort project
Orient Town Limited	Incorporated	Hong Kong	Ordinary	HK$700	45	45	Investment holding *(Note b)*
San Lun Mang Investimentos, Limitada	Incorporated	Macau	Quota capital *(Note a)*	MOP100,000	31.5	31.5	Investment holding *(Note b)*
三亞創新休閒產業投資有限公司	Incorporated	PRC	Registered capital	RMB50,000,000	45	45	Development of marina resort

Name of associate	Form of business structure	Place of incorporation/ establishment	Class of shares held	Nominal value of issued and fully paid/ registered share capital	Proportion of nominal value of issued/ registered share capital indirectly held by the Group 2011 %	2010 %	Principal activity
Ocean Champion Investments Limited	Incorporated	British Virgin Islands	Ordinary	US$200	36.5	–	Holding of vessel
Fancy Style Investments Limited	Incorporated	British Virgin Islands	Ordinary	US$200	36.5	–	Operation of vessel

Notes:

(a) *Quota capital represents the Portuguese equivalence of registered capital as Portuguese is the official language of Macau.*

(b) *The principal activities of their subsidiaries are mainly property development and property project management.*

The above table lists the associates of the Group which, in the opinion of the directors, principally affected the results of the year or form a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

The summarised financial information in respect of the Group's associates is set out below:

	2011 HK$'000	2010 HK$'000
Total assets	5,760,320	3,639,274
Total liabilities	(4,832,410)	(3,064,304)
Non-controlling interests	(178,630)	(143,227)
Net assets as recorded in the books of the associates	749,280	431,743
The Group's share of net assets of associates *(Note)*	398,422	305,092

Note: The Group's share of net assets of associates include a fair value adjustment amounted to HK$305,945,000 (2010: HK$305,945,000) for premium for the interest in leasehold land of the associate upon the acquisition of additional interest in the associate in a previous year.

	2011	2010
	HK$'000	*HK$'000*
Revenue	–	–
Profit (loss) for the year	35,431	(20,792)
Other comprehensive income	–	–
The Group's share of profit (loss) of associates for the year	14,564	(11,050)

The Group has discontinued the recognition of its share of losses of certain associates. The amounts of unrecognised share of losses of these associates, based on the relevant management accounts of the associates, both for the year and cumulatively, are as follows:

	2011	2010
	HK$'000	*HK$'000*
Unrecognised share of losses of associates for the year	–	–
Accumulated unrecognised share of losses of associates	(2,451)	(2,451)

22. AMOUNTS DUE FROM ASSOCIATES

The amounts are unsecured, interest-free and repayable within one year from the end of the reporting period.

23. DEBT PORTION OF CONVERTIBLE BONDS

	Debt portion	
	2011	2010
	HK$'000	*HK$'000*
Convertible notes *(Note)*	–	43,429
Analysed as:		
Current	–	1,627
Non-current	–	41,802
	–	43,429

Note: *The 2% convertible bonds issued by Wing On Travel (Holdings) Limited (now known as Rosedale Hotel Holdings Limited) ("Wing On"), a company whose shares are listed on The Stock Exchange of Hong Kong Limited with an aggregate principal amount of HK$45,000,000 ("Wing On Bonds"), was purchased during the year ended 31st March, 2009 from an independent third party at total consideration of HK$33,750,000. During the year ended 31st March, 2011, Wing On redeemed the Wing On Bonds at HK$39,600,000, which is equivalent to 88% of their principal amount and a loss of HK$5,570,000 has been recognised in profit or loss. No conversion has been exercised by the Group during both years.*

24. DEPOSIT AND EXPENSES PAID FOR ACQUISITION OF A LAND USE RIGHT

The amount as at 31st March, 2010 represents deposit and expenses paid to a third party for the acquisition of a land use right in the Hengqin New Area of the PRC (the "Land") for a total cash consideration of RMB50,964,000 (equivalent to HK$57,980,000) under an acquisition agreement (the "Agreement") dated 22nd March, 2007.

On 16th September, 2010, the PRC Government issued an order to repossess the Land and the third party returned the land use right certificates of the Land to the relevant PRC Government authority.

According to the Agreement, if the PRC Government repossesses the Land that results in a failure to complete the acquisition, the Group shall be exclusively entitled to the whole relevant compensation payable from the PRC Government, which was subsequently agreed with the PRC Government at an amount of RMB161,025,000 (equivalent to HK$183,008,000). During the year ended 31st March, 2011, compensation income of RMB140,026,000 (equivalent to HK$158,245,000) was received from the PRC Government. After taking into account all deposit and expenses incurred, net compensation of HK$110,970,000 has been recognised in profit or loss.

25. OTHER LOAN RECEIVABLES

	2011	**2010**
	HK$'000	*HK$'000*
Fixed-rate loan receivables	60,303	13,133
Variable-rate loan receivables	198,738	198,888
	259,041	212,021
Secured	12,274	12,424
Unsecured	246,767	199,597
	259,041	212,021
Analysed as:		
Current	114,458	208,246
Non-current	144,583	3,775
	259,041	212,021

The following is an analysis of the ageing of other loans receivables based on the date of initial advance to borrowers at the end of the reporting period:

	2011	**2010**
	HK$'000	*HK$'000*
Within one year	47,170	66,895
More than one year, but not exceeding two years	55,516	4,716
More than two years, but not exceeding three years	15,945	30,776
More than three years, but not exceeding five years	135,775	109,634
More than five years	4,635	–
	259,041	212,021

At 31st March, 2011, the Group's fixed-rate loan receivables of HK$8,498,000 (2010: HK$8,498,000) carried interest at 8% per annum and were secured by shares in a private limited company incorporated in Malaysia. Another portion of fixed-rate loan receivables of HK$47,170,000 (2010: Nil) carried interest at 6.6% per annum and were unsecured. The remaining fixed-rate loan receivables of HK$4,635,000 (2010: HK$4,635,000) are denominated in United States dollars ("USD"), which is not the functional currency of the relevant group entity, carries interest at 3% and were unsecured. All the fixed-rate loan receivables are repayable on demand.

At 31st March, 2011, it is intended that the Group will demand repayment of loan receivables of HK$140,962,000 (2010: Nil) to finance the consideration payable for acquisition of subsidiaries as set out in note 44(a) and accordingly, such balance has been classified as non-current assets.

At 31st March, 2011, the Group's variable-rate loans of HK$194,962,000 (2010: HK$194,962,000) were unsecured, carried interest at the best lending rate quoted by The Hongkong and Shanghai Banking Corporation Limited ("HSBC Prime Rate") plus 2% or 2.1% per annum (2010: HSBC Prime Rate plus 2% or 2.1% per annum) and are repayable within one year. The effective interest rates of other loan receivables are ranging from 7% to 7.1% per annum (2010: 7% to 7.1% per annum). The remaining variable-rate loans of HK$3,776,000 (2010: HK$3,926,000) were secured by a property located in Hong Kong with fair value of HK$7,000,000 and carried interest at HSBC Prime Rate minus 2% per annum.

Before granting any new loans, the directors will assess the potential borrower's credit quality and defines credit limits by the borrower. The directors will continuously assess the recoverability of other loan receivables. The whole amount of other loan receivables are repayable upon request for repayment or upon maturity date of the loans, so the balances are neither past due nor impaired and in the opinion of the directors they have no history of loan default.

The Group's has concentration of credit risk in the above loans as five borrowers accounted for 75% (2010: 88%) of the total other loan receivables as at 31st March, 2011. The majority of borrowers of the loan receivables are wholly-owned subsidiaries of listed companies in Hong Kong which have strong financial background.

The remaining borrowers mainly consist of several private companies which are engaged in investment holding. In order to minimise the credit risk, management of the Group has monitored the repayment ability of the borrowers continuously.

26. INVENTORIES/PROPERTIES HELD FOR SALE

	31.3.2011	**31.3.2010**	**1.4.2009**
	HK$'000	*HK$'000*	*HK$'000*
		(Restated)	(Restated)
Inventories:			
Finished goods	273	523	906
Consumables	82	2,379	2,237
	355	2,902	3,143
Properties held for sale:			
Properties under development held for sale	597,172	565,218	193,000
Completed properties held for sale	62,922	194,071	242,388
	660,094	759,289	435,388

At 31st March, 2011, the properties held for sale include a carrying amount of HK$597,172,000 (2010: HK$565,218,000) which is not expected to be realised within twelve months from the end of the reporting period.

27. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2011	2010
	HK$'000	*HK$'000*
Investments held-for-trading:		
Listed equity securities in		
– Hong Kong	125,536	148,594
– Overseas	861	897
	126,397	149,491

All financial assets at fair value through profit or loss are stated at fair value. The fair values of listed securities are determined based on the bid prices quoted in active markets.

The Group's financial assets at fair value through profit or loss that are denominated in currencies other than functional currency of the relevant group entity are set out below:

	2011	2010
	HK$'000	*HK$'000*
USD	861	897

28. DEBTORS, DEPOSITS AND PREPAYMENTS

	2011	2010
	HK$'000	*HK$'000*
Trade debtors	8,846	7,736
Less: allowance for doubtful debts	(6,860)	(6,225)
	1,986	1,511
Refundable earnest money *(Note a)*	145,605	74,070
Other receivable *(Note b)*	34,199	15,240
Other debtors, deposits and prepayments	177,281	137,019
	359,071	227,840

The Group's credit terms are negotiated at terms determined and agreed with its trade customers. The Group allows an average credit period of 90 days to its trade customers. The following is an aged analysis of trade debtors, net of allowance for doubtful debts, presented based on the invoice date at the end of the reporting period. The analysis at 31st March, 2011 includes those classified as part of a disposal group held for sale.

	2011	**2010**
	HK$'000	*HK$'000*
0 – 60 days	1,188	594
61 – 90 days	351	173
Over 90 days	633	744
	2,172	1,511
Less: Trade debtors classified as part of a disposal group held for sale	(186)	–
	1,986	1,511

Before accepting any new customer, the Group will assess the potential customer's credit quality and define credit limits by customer. Limits attributed to customers are reviewed twice a year. 39% (2010: 51%) of the trade debtors that are neither past due nor impaired have the best credit rating.

Included in the Group's trade debtors is aggregate carrying amount of HK$627,000 (2010: HK$744,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. The average age of these receivables is 60 days (2010: 120 days).

Ageing of trade debtors which are past due but not impaired

	2011	**2010**
	HK$'000	*HK$'000*
Over 90 days	627	744

The Group has provided fully for general trade debtors over 2 years because historical experience is such that receivables that are past due beyond 2 years are generally not recoverable.

Movement in the allowance for doubtful debts

	2011	**2010**
	HK$'000	*HK$'000*
Balance at the beginning of the year	6,225	5,336
Impairment losses recognised on debtors	635	889
Balance at the end of the year	6,860	6,225

Notes:

(a) (i) In June 2005, a wholly-owned subsidiary of the Company and an independent third party ("Vendor A") signed a non-binding letter of intent with a view of negotiating a possible acquisition from Vendor A of 50% of its ownership and interest in certain land located in Macau which was initially intended for redevelopment purposes, at an initial consideration of HK$495,000,000. Upon signing of the letter of intent, an amount of HK$10,000,000 (2010: HK$10,000,000) was paid by the Group as refundable earnest money.

(ii) On 18th January, 2008, the Company entered into a memorandum of understanding with an independent thirty party with a view of negotiating a possible acquisition of the entire issued share capital of a company which is proposed to hold and develop a land in Vietnam. Upon signing of the memorandum of understanding, an amount of HK$15,600,000 was paid by the Group as refundable earnest money. Further amounts of HK$20,670,000, HK$7,800,000 and HK$780,000 were paid by the Group during the year ended 31st March, 2009, 2010 and 2011 respectively.

(iii) During the year ended 31st March, 2010, an amount of HK$20,000,000 was paid by the Group to an independent third party. The amount represented monies paid for the negotiation of possible acquisition of ownership interest in properties located in the PRC.

(iv) On 10th June, 2010 and 1st June, 2010, the Group has signed two memorandum of understanding with two independent third parties, namely Gain Energy Limited ("Gain Energy") and Winluck Development Limited ("Winluck"), respectively, for the negotiation of acquisition of interests in two pieces of land located in Panyu of the PRC for redevelopment. Amounts of approximately HK$35,377,000 each was paid by the Group for the negotiation of acquisitions of interests in the two pieces of land respectively.

In the opinion of the directors of the Company, taking into account that the representative responsible for negotiation of the possible acquisition has successfully introduced a number of projects to the Group and has no history of default, the credit risk is not significant and the amounts can be fully recovered.

The refundable earnest money mainly concentrated on five projects and approximately 31% (2010: 60%) of the total refundable earnest money are in relation to one project. The Company assesses the recoverability of the money invested and the progress of the projects in a continuing basis and the vendors had no history of loan default.

No formal agreements in respect of the above possible acquisitions have been entered into up to the date of approval for issuance of these consolidated financial statements. In the opinion of the directors of the Company, the possible acquisitions may or may not materialise and the earnest money are refundable upon request, therefore, the above refundable earnest money is classified as current asset accordingly.

(b) (i) Other receivable of HK$9,436,000 represented an amount due from the vendor in respect of tax indemnity given by the vendor pursuant to the sales and purchase agreements for acquisition of subsidiaries in 2006 and 2007.

(ii) The compensation income for repossession of land in the Hengqin New Area of the PRC as set out in note 24 of HK$24,763,000 has been included in other receivables as at 31st March, 2011. The amount has been received subsequent to the end of the reporting period.

29. BANK BALANCES AND CASH/PLEDGED BANK DEPOSITS

Bank balances carry interest at market rates which range from 0.001% to 2.3% (2010: 0.001% to 2.3%) per annum. The pledged deposits carry fixed interest at rates ranging from 0.13% to 0.87% (2010: 0.13% to 0.45%) per annum. At 31st March, 2010, deposits amounting to HK$17,500,000 have been pledged to secure short-term bank borrowings and are therefore classified as current assets. The remaining deposits amounting to HK$24,700,000 have been pledged to secure long-term bank borrowings and are therefore classified as non-current assets. During the year ended 31st March, 2011, these pledged bank deposits have been released since the relevant bank borrowings have been settled.

The Group's pledged bank deposits and bank balances and cash that are denominated in currency other than functional currency of the relevant group entities are set out below:

	2011	**2010**
	HK$'000	*HK$'000*
USD	2,395	18,277

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

On 21st July, 2010, the Group entered into a conditional sale and purchase agreement with Million Cube Limited, an independent third party, for the disposal of 65% of the equity interest in Paragon Winner Company Limited ("Paragon Winner"), which engages in the development and operation of hotel and golf resort at a consideration of RMB650,000,000. The disposal had been approved by the shareholders at a special general meeting of the Company convened on 26th August, 2010.

The assets and liabilities attributable to Paragon Winner and its subsidiaries (the "Paragon Winner Group") that are expected to be sold within twelve months have been classified as a disposal group held for sale (see below) and are separately presented in the consolidated statement of financial position. The operation of the Paragon Winner Group is included in the Group's golf and leisure operation for segment reporting purposes (see note 5).

The net proceeds on disposal are expected to exceed the net carrying amount of the relevant consolidated assets and liabilities and, accordingly, no impairment loss has been recognised on Paragon Winner.

The purchaser agrees to pay and has paid interest to the Group in relation to late payment of consideration payable, at an interest rate of 7% per annum. During the year, interest income of HK$8,757,000 (2010: Nil) has been recognised in profit or loss in regard to the consideration receivable from the purchaser pursuant to payment schedule as set out in the conditional sale and purchase agreement.

The major classes of consolidated assets and liabilities of the Paragon Winner Group as at 31st March, 2011 are as follows:

	HK$'000
Property, plant and equipment	197,830
Prepaid lease payments of leasehold land	21,354
Premium on prepaid lease payments of leasehold land	107,681
Inventories	3,318
Debtors, deposits and prepayments	1,107
Bank balances and cash	11,776
Total assets classified as held for sale	343,066
Creditors, deposits and accrued charges	63,936
Amount due to a non-controlling shareholder of a subsidiary	237
Tax payable	257
Deferred tax liabilities	26,921
Total liabilities associated with assets classified as held for sale	91,351

31. CREDITORS, DEPOSITS AND ACCRUED CHARGES

The following is an aged analysis of trade creditors presented based on the invoice date at the end of the reporting period. The analysis includes those classified as part of a disposal group held for sale.

	2011	**2010**
	HK$'000	*HK$'000*
0 – 60 days	1,289	823
61 – 90 days	520	532
Over 90 days	916	857
	2,725	2,212
Other creditors, deposits and accrued charges *(Note a)*	60,902	130,901
Earnest monies received *(Note b)*	89,969	–
Less: Trade creditors classified as part of a disposal group held for sale	(1,399)	–
	152,197	133,113

The average credit period on purchases of goods is 60 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

Notes:

(a) Under the agreement in connection with the disposal of Panyu Golf, the Group agreed to assume certain assets and liabilities of Panyu Golf with the net carrying amount of HK$9,333,000 (2011: Nil) which has been included in other creditors at 31st March, 2010.

(b) During the year ended 31st March, 2011, the Group received earnest monies of HK$89,969,000 from counterparties for possible investment projects with the Group in the PRC.

32. DEPOSITS RECEIVED FOR DISPOSAL OF SUBSIDIARIES

Under the agreement in connection with the disposals of 65% of the issued share capital of Paragon Winner and their loans due to the Group, the Group has received deposits of HK$176,826,000 (2010: Nil) which have been included in deposits received as at 31st March, 2011. The transaction is expected to complete during the year ended 31st March, 2012.

During the year ended 31st March, 2011, the Group has received deposits of HK$350,000,000 in relation to the disposal of 50% of the issued share capital of ITC Properties (China) Limited ("ITCP (China)"), a wholly-owned subsidiary of the Group. As at 31st March, 2011, ITCP (China) was formed with the intention of becoming the holding company of Newskill (defined and explained in Note 44(a)). The disposal is conditional upon the successful acquisition of Newskill which is subject to fulfillment of certain conditions precedent set out in the relevant conditional sale and purchase agreement.

33. AMOUNT DUE TO A NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY

The amount was unsecured, interest-free and repayable on demand. The amount as at 31st March, 2011 has been included in liabilities associated with assets classified as held for sale (Note 30).

34. CONVERTIBLE NOTE PAYABLES

(a) On 11th August, 2005, the Company issued HK$1,000 million unsecured zero coupon convertible notes due 2010 (the "First 2010 Convertible Notes"). The adjusted conversion price as at 31st March, 2011 was HK$5.675 per ordinary share. The First 2010 Convertible Notes are non-interest bearing and matured on 11th August, 2010. The holders of the convertible note payables have the right to convert the principal amount of the First 2010 Convertible Notes into shares of HK$0.01 each of the Company at any time during the period from 11th August, 2005 up to and including the date which is 15 days prior to 11th August, 2010. The whole amount of convertible notes has been redeemed at 110% on 11th August, 2010.

(b) On 8th June, 2006, the Company issued HK$60 million unsecured zero coupon convertible notes due 2010 (the "Second 2010 Convertible Notes"). The adjusted conversion price as at 31st March, 2011 was HK$5.675 per ordinary share. The Second 2010 Convertible Notes are non-interest bearing and matured on 11th August, 2010. The holders of the convertible note payables have the right to convert the principal amount of the Second 2010 Convertible Notes into shares of HK$0.01 each of the Company at any time during the period from 8th June, 2006 up to and including the date which is 15 days prior to 11th August, 2010. The whole amount of convertible notes has been redeemed at 108.3% during the year ended 31st March, 2011.

(c) On 15th June, 2006, the Company issued HK$1,000 million unsecured 1% convertible notes due 2011 (the "2011 Convertible Notes"). The adjusted conversion price as at 31st March, 2011 was HK$8.904 per ordinary share. The 2011 Convertible Notes bear interest at 1% per annum and will mature on 15th June, 2011. The holders of the convertible note payables have the right to convert the principal amount of the 2011 Convertible Notes into shares of HK$0.01 each of the Company at any time during the period from 15th June, 2006 and up to and including the date which is 7 days prior to 15th June, 2011.

Unless previously converted, the Company will redeem the convertible note payables on the maturity date at the redemption amount of 110% of the principal amount of the convertible notes then outstanding.

As at 31st March, 2011, HK$906 million (2010: HK$906 million) of 2011 Convertible Notes was outstanding.

The full conversion of the outstanding 2011 Convertible Notes at 31st March, 2011 at the adjusted conversion price of HK$8.904 per ordinary share of HK$0.01 each in the share capital of the Company would result in the issue of a total of 101,751,994 new ordinary shares by the Company.

Each of the convertible note payables contains two components, liability and equity elements. The equity element is presented in equity under the heading of "convertible loan notes equity reserve". The effective interest rates of the convertible note payables are ranging from 5.85% to 9.16% (2010: 5.85% to 9.16%) per annum.

The movement of the liability component of the convertible note payables for the year is set out below:

	2011	**2010**
	HK$'000	*HK$'000*
Liability component at the beginning of the year	1,436,316	1,336,087
Effective interest charged *(Note 10)*	97,424	109,265
Coupon interest paid	(9,060)	(9,036)
Redemption	(537,082)	–
Liability component at the end of the year	987,598	1,436,316
Analysed for reporting purposes as:		
Current liability	987,598	533,342
Non-current liability	–	902,974
	987,598	1,436,316

35. OBLIGATIONS UNDER FINANCE LEASES

	2011	**2010**
	HK$'000	*HK$'000*
Analysed for reporting purpose as:		
Current liabilities	85	75
Non-current liabilities	195	167
	280	242

It is the Group's policy to lease certain of its furniture, fixtures and equipment under finance leases. The average lease term is five years (2010: five years). Interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging from 9.03% to 9.15% (2010: 9.11% to 9.16%) per annum.

	Minimum lease payments		Present value of minimum lease payments	
	2011	2010	2011	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amount payable under finance leases:				
Within one year	107	94	85	75
In the second to fifth year inclusive	220	187	195	167
	327	281	280	242
Less: Future finance charges	(47)	(39)	–	–
Present value of lease obligations	280	242	280	242
Less: Amount due for settlement within one year shown under current liabilities			(85)	(75)
Amount due for settlement after one year			195	167

The Group's obligations under finance leases are secured by the lessors' charge over the leased assets.

36. BANK BORROWINGS

	2011	2010
	HK$'000	*HK$'000*
Bank loans, secured	400,000	477,719
Carrying amount repayable:		
Within one year	300,000	13,652
More than one year, but not exceeding two years	100,000	369,856
More than two years, but not more than five years	–	94,211
	400,000	477,719
Less: Amount due within one year shown under current liabilities	(300,000)	(13,652)
Amount due after one year	100,000	464,067

Bank borrowings comprise	Maturity date	Contractual interest rate	Carrying amount 2011	2010
			HK$'000	*HK$'000*
Variable-rate borrowings:				
The People Bank of China ("PBOC") Prescribed Interest Rate secured bank loan of RMB12,000,000 *(Note a)*	25th November, 2010	PBOC Prescribed Interest Rate	–	13,652
PBOC Prescribed Interest Rate secured bank loan of RMB18,000,000 *(Note a)*	8th September, 2011	PBOC Prescribed Interest Rate	–	20,477
Hong Kong Prime Rate ("P") minus 0.75% secured HK$ bank loan *(Note b)*	2nd April, 2011	P – 0.75%	–	51,164
HIBOR plus 1.75% secured HK$bank loan *(Note b)*	27th October, 2011	HIBOR + 1.75%	300,000	298,215
HIBOR plus 2% secured HK$ bank loan *(Note b)*	27th July, 2013	HIBOR + 2%	100,000	94,211
			400,000	477,719

Notes:

(a) Interest was reviewed half yearly and repriced based on the PBOC Prescribed Interest Rate.

(b) Interest was repriced when HIBOR or Hong Kong Prime Rate changed.

As at the end of the reporting period, the Group has the following undrawn borrowing facilities:

	2011	2010
	HK$'000	*HK$'000*
Floating rate		
– expiring within one year	–	–
– expiring beyond one year	740,000	60,600
	740,000	60,600

The effective interest rates of bank borrowings are ranging from 2.08% to 2.33% (2010: 1.80% to 5.40%) per annum.

37. DEFERRED TAX LIABILITIES

The following are the major deferred tax liabilities recognised and movements thereon during the current and prior years:

	Accelerated tax depreciation
	HK$'000
At 1st April, 2009	27,889
Credit to profit or loss	(684)
At 31st March, 2010	27,205
Charge to profit or loss	1,122
Deferred tax liabilities associated with assets held for sale *(Note 30)*	(26,921)
At 31st March, 2011	1,406

At 31st March, 2011, the Group has unused tax losses of HK$688,462,000 (2010: HK$621,132,000) available for offset against future profits and has deductible temporary differences of HK$106,676,000 (2010: HK$109,153,000). No deferred tax asset has been recognised in respect of such losses and deductible temporary difference. Tax losses of HK$628,979,000 (2010: HK$580,040,000) may be carried forward indefinitely under current tax regulation in Hong Kong and the remaining tax losses of HK$59,483,000 (2010: HK$41,092,000) will expire from 2011 to 2015 (2010: 2010 to 2014).

38. SHARE CAPITAL

	Number of shares	**Amount**
		HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1st April, 2009, 31st March, 2010 and 31st March, 2011	40,000,000,000	400,000
Issued and fully paid:		
At 1st April, 2009	470,917,484	4,709
Exercise of warrants *(Note a)*	2,113	–
At 31st March, 2010	470,919,597	4,709
Placing of shares *(Note b)*	94,000,000	940
At 31st March, 2011	564,919,597	5,649

Notes:

(a) *On 25th January, 2010 and 1st February, 2010, a total of 2,113 warrants were exercised and 2,113 ordinary shares of HK$0.01 each in the share capital of the Company at a price of HK$2.625 per share were issued.*

(b) *On 8th June, 2010, a total of 94,000,000 new shares were issued at HK$1.6 each by the Company by way of a placing. These new shares rank pari passu with the existing shares in all respects.*

On 4th February, 2010, a total of 99,054,463 outstanding warrants at a subscription price of HK$2.625 per share were lapsed on maturity. The subscription rights attaching to the warrants measured at fair value of approximately HK$34,570,000 which was recognised in equity in the warrant reserve on initial recognition were transferred directly to accumulated losses.

39. SHARE-BASED PAYMENT TRANSACTIONS

Scheme adopted on 26th August, 2002 (the "Scheme")

Following the termination of the scheme adopted on 28th February, 1994, in August 2002, the Scheme was adopted pursuant to a resolution passed on 26th August, 2002 for the primary purpose of providing incentives to eligible persons and will expire on 25th August, 2012. Under the Scheme, the directors of the Company may grant share options to the following eligible persons to subscribe for shares in the Company:

(i) employees including executive directors of the Company, its subsidiaries and any companies in which the Company holds any equity interest; or

(ii) non-executive directors of the Company, its subsidiaries and any companies in which the Company holds any equity interest; or

(iii) suppliers or customers; or

(iv) consultants, advisers or agents.

Share options granted should be accepted within 28 days of the date of grant, upon payment of HK$1 per each grant of share options. The exercise price is determined at the highest of: (i) the closing price of the shares on the date of grant of the share option; or (ii) the average closing price of shares on the five trading days immediately preceding the date of grant; or (iii) the nominal value of shares on the date of grant.

There is no specific requirement that an option must be held for any minimum period before it can be exercised but the directors are empowered to impose at their discretion any such minimum period at the time of grant of any particular option. The period during which an option may be exercised will be determined by the directors at their absolute discretion, save that no option may be exercised more than 10 years from the date of grant.

The maximum number of shares in respect of which share options under the Scheme may be granted when aggregated with the maximum number of shares in respect of which options may be granted under all the other schemes (the "Scheme Limit") is 10% of shares in issue on the adoption date of the Scheme. The Scheme Limit may be refreshed by a resolution in shareholders' meeting such that the total number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other schemes shall not exceed 10% of the shares in issue as at the date of such shareholders' approval. However, the Scheme Limit and any increase in the Scheme Limit shall not result in the number of shares which may be issued upon exercise of all outstanding share options granted under the Scheme and other schemes exceed 30% of the shares in issue from time to time. No person shall be granted a share option, within 12-month period of the date of grant, exceeds 1% of the shares in issue as at the date of grant.

The following table discloses details of the Company's share options held by directors and employees and other participants, and movements in such holdings during the current and prior year:

Date of grant	Vesting proportion	Vesting period	Exercisable period	Adjusted (if any) exercise price per share (HK$)	Number of share options Outstanding at 1.4.2009	Granted during the year	Cancelled during the year	Outstanding at 31.3.2010	Cancelled during the year	Outstanding at 31.3.2011
Employees and other participants:										
27.7.2007	50%	27.7.2007 – 26.7.2008	27.7.2008 – 26.7.2011	10.55	517,036	–	(517,036)	–	–	–
	50%	27.7.2007 – 26.7.2009	27.7.2009 – 26.7.2011	10.55	517,036	–	(517,036)	–	–	–
29.3.2010	50%	29.3.2010 – 28.3.2011	29.3.2011 – 28.3.2014	2.22	–	4,255,000	–	4,255,000	(90,000)	4,165,000
	50%	29.3.2010 – 28.3.2012	29.3.2012 – 28.3.2014	2.22	–	4,255,000	–	4,255,000	(90,000)	4,165,000
Former directors *(Note)*:										
27.7.2007	50%	27.7.2007 – 26.7.2008	27.7.2008 – 26.7.2011	10.55	95,160	–	(95,160)	–	–	–
	50%	27.7.2007 – 26.7.2009	27.7.2009 – 26.7.2011	10.55	95,160	–	(95,160)	–	–	–
Directors:										
27.7.2007	50%	27.7.2007 – 26.7.2008	27.7.2008 – 26.7.2011	10.55	1,237,080	–	(1,237,080)	–	–	–
	50%	27.7.2007 – 26.7.2009	27.7.2009 – 26.7.2011	10.55	1,237,080	–	(1,237,080)	–	–	–
29.3.2010	50%	29.3.2010 – 28.3.2011	29.3.2011 – 28.3.2014	2.22	–	6,690,000	–	6,690,000	(185,000)	6,505,000
	50%	29.3.2010 – 28.3.2012	29.3.2012 – 28.3.2014	2.22	–	6,690,000	–	6,690,000	(185,000)	6,505,000
					3,698,552	21,890,000	(3,698,552)	21,890,000	(550,000)	21,340,000
Exercisable at the end of the years					1,849,276			–		10,670,000
Weighted average exercise price					10.55	2.22	10.55	2.22	2.22	2.22

Note: All former directors are no longer employees of the Group.

The closing price of the Company's shares immediately before 29th March, 2010, the date of grant of the outstanding options, was HK$2.22, and the estimated fair value of the options granted was approximately HK$23,053,000 at the date of grant.

The fair values of the share options were calculated using the Binomial option pricing model. The inputs into the model were as follows:

Date of grant	29th March, 2010
Closing share price at the date of grant	HK$2.22
Initial exercise price	HK$2.22
Expected life of options	4 years
Expected volatility	70.584%
Expected dividend yield	Nil
Risk free rate	1.547%
Fair value per option (for employees)	HK$0.8929 & HK$1.0381
Fair value per option (for directors)	HK$1.0814 & HK$1.1364

Expected volatility was determined by using the historical volatility of the Company's share price over five years. The expected life used in the model has been estimated, based on the management's best estimate, for the effects of non-transferability, exercise restrictions and behavioral considerations.

The Binomial option pricing model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the management's best estimate. The value of an option varies with different variables of certain subjective assumptions.

As the fair value of the services to be performed by other eligible participants cannot be estimated reliably because it is not possible to measure the fair value of the total remuneration package, the fair value of such services is also measured with reference to the fair value of share options granted using the Binomial option pricing model.

The Group recognised the total expense of HK$16,513,000 for the year (2010: HK$1,348,000) in relation to the share options granted by the Company, of which HK$5,848,000 (2010: HK$450,000) was related to options granted to the Group's employees which has been included in staff costs as set out in note 12, and the remaining balance of HK$10,665,000 (2010: HK$898,000) was related to options granted to directors which has been included in directors' emoluments as set out in note 13(a).

40. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which includes the convertible note payables and bank borrowings disclosed in notes 34 and 36 respectively, cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure on a semi-annual basis. As part of this review, the directors consider the cost of capital and the risks associates with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

41. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2011	**2010**
	HK$'000	*HK$'000*
Financial assets		
Fair value through profit or loss		
– Investment held-for-trading	126,397	149,491
Loans and receivables (including cash and cash equivalents)	1,984,057	1,767,608
Available-for-sale investments	44,684	44,869
Financial liabilities		
Amortised cost	1,439,302	1,955,681

(b) Financial risk management objectives and polices

The Group's major financial instruments include equity and debt investments, debtors, other loan receivables, amounts due from associates, advance to a jointly controlled entity, loan to a jointly controlled operation, unsecured loans and interest due from associates, pledged bank deposits, bank balances and cash, creditors, convertible note payables, obligations under finance leases, amounts due to a non-controlling shareholder of a subsidiary and bank borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

Several subsidiaries of the Company have foreign currency bank balances, which expose the Group to foreign currency risk. Management has closely monitored foreign exchange exposure and will undertake procedures necessary to mitigate the currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Assets		**Liabilities**	
	2011	**2010**	**2011**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
USD	7,891	23,809	–	–

The functional currency of the respective group entities is Hong Kong dollars. The Group's exposure to the currency risk of USD is limited because Hong Kong dollar is pegged to USD.

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to loan to a joint venture, advance to a jointly controlled entity, unsecured loans from associates, debt portion of convertible bonds, fixed-rate other loan receivables, fixed-rate bank deposits and convertible note payables as set out in notes 20, 21, 23, 25, 29 and 34 respectively.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate other loan receivables and bank borrowings as set out in notes 25 and 36 respectively, and bank balances. It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Prime Rate and HIBOR.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. For variable-rate other loan receivables and bank borrowings, the analysis is prepared assuming the amount of asset and liability outstanding at the end of the reporting period was outstanding for the whole year. A 100 basis points (2010: 100 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents the management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31st March, 2011 would decrease/increase by HK$1,681,000 (2010: HK$2,328,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate other loan receivables and bank borrowings.

(iii) *Other price risk*

The Group is exposed to equity price risk arising from available-for-sale investments, derivatives embedded in convertible bonds and held-for-trading investments. The management manages this exposure by maintaining a portfolio of investments with different risks. The Group's equity price risk is mainly concentrated on listed equity investments quoted in the Stock Exchange. In addition, the Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the end of the reporting period.

If the prices of the respective equity instruments had been 10% (2010: 10%) higher/lower:

- post-tax profit for the year ended 31st March, 2011 would increase/decrease by HK$10,554,000 (2010: HK$12,482,000) as a result of the changes in fair value of held-for-trading investments; and
- investment valuation reserve would increase/decrease by HK$4,468,000 (2010: HK$4,487,000) as a result of the changes in fair value of available-for-sale investments.

Credit risk

As at 31st March, 2011, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group's concentration of credit risk by geographical locations is mainly in PRC, which accounted for 80% (2010: 67%) of the total debtors as at 31st March, 2011.

The Group does not have any other significant concentration of credit risk, other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, loans to a joint venture and advance to a jointly controlled entity as set out in note 20, unsecured loans and interests due from associates as set in note 21, debt portion of convertible bonds as set out in note 23, other loan receivables as set out in note 25, debtors as disclosed above and refundable earnest money as set out in note 28(a).

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As at 31st March, 2011, the Group has available unutilised bank loan facilities of approximately HK$740,000,000 (2010: HK$60,600,000) as set out in note 36.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

Liquidity and interest risk tables

	Weighted average interest rate	Less than 3 months	3 months to 1 year	1-5 years	Total undiscounted cash flows	Carrying amount at 31.3.2011
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2011						
Non-derivative financial liabilities						
Creditors	–	51,704	–	–	51,704	51,704
Obligations under finance leases	9.09	27	80	221	328	280
Bank borrowings	2.02	2,017	303,592	102,924	408,533	400,000
Convertible note payables	1.00	1,005,660	–	–	1,005,660	987,598
		1,059,408	303,672	103,145	1,466,225	1,439,582

	Weighted average interest rate	Less than 3 months	3 months to 1 year	1-5 years	Total undiscounted cash flows	Carrying amount at 31.3.2010
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2010						
Non-derivative financial liabilities						
Creditors	–	41,402	–	–	41,402	41,402
Amount due to a non-controlling shareholder of a subsidiary	–	244	–	–	244	244
Obligations under finance leases	9.13	26	68	187	281	242
Bank borrowings	2.47	2,969	22,232	475,235	500,436	477,719
Convertible note payables	0.63	9,060	537,082	1,005,660	1,551,802	1,436,316
		53,701	559,382	1,481,082	2,094,165	1,955,923

The amount included above for variable interest rate instrument for non-derivative financial liabilities is subject to change if changes in variable interest rate differ to those estimates of interest rates determined at the end of reporting period.

(c) Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets (excluding derivative instruments) with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices and ask prices respectively; and

- the fair value of other financial assets and financial liabilities (including derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis and dealer quotes for similar instruments. For an option-based derivative, the fair value is estimated using option pricing model (including Black-Scholes pricing model).

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

Fair value measurements recognised in the statements of financial position

An analysis of financial instruments shown below that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets at FVTPL and available-for-sale financial assets are grouped into Level 1. The change in fair value of HK$20,544,000 (2010: HK$38,571,000) and HK$3,996,000 (2010: HK$12,482,000) relates to financial assets at FVTPL and available-for-sale financial assets held at the end of the reporting period and are included in "Net gain on financial instruments" and recognised in profit or loss and "Net gain on fair value changes of available-for-sale investments" and recognised as other comprehensive income respectively.

42. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES

On 5th June, 2009, the Group completed the acquisition of the entire share capital and shareholders' loans of Favor Gain Group Limited, Charm Noble Group Limited and Adventura International Limited at a total consideration of HK$257,887,000 and incurred transaction cost of HK$2,448,000.

The net assets acquired in the transaction are as follows:

	HK$'000
Net assets acquired:	
Properties held for sale	316,047
Debtors	924
Creditors, deposits and accrued charges	(4,814)
Other borrowing	(54,270)
Loans from shareholders	(245,439)
	12,448
Assignment of loans from shareholders	245,439
Net assets acquired	257,887
Total consideration satisfied by:	
Cash	36,035
Loan note *(Note)*	174,608
Deposit paid in prior year	47,244
	257,887
Net cash outflow arising on acquisition:	
Cash consideration paid	33,587
Expense incurred for the acquisition	2,448
	36,035

Note: The loan note was settled by cash during the year ended 31st March, 2010.

43. DEEMED DISPOSAL OF SUBSIDIARIES

The Group entered into an agreement with Ocean Growth Enterprises Limited ("Ocean Growth") and 貴州宏能投資有限公司 ("貴州宏能") for subscription of new shares in Business Action Holdings Limited ("Business Action") on 5th February, 2010. After subscription, the Group, Ocean Growth and 貴州宏能 hold interest of Business Action of 45%, 45% and 10% respectively. The subscription by Ocean Growth and 貴州宏能 in aggregate constitutes a deemed disposal of 55% equity interest in Business Action by the Group.

The aggregate net assets of the subsidiaries at the date of deemed disposal were as follows:

	HK$'000
Net assets disposed of:	
Property, plant and equipment	417
Inventories	21
Trade and other receivables	24,723
Bank balance and cash	55,158
Creditors and accrued charges	(1,418)
Amount due to immediate holding company	(79,938)
	(1,037)
Translation reserve released	(117)
	(1,154)
Gain on deemed disposal of subsidiaries	637
Total consideration	(517)
Satisfied by:	
Share of net liabilities of associates	(517)
Net cash outflow arising on disposals:	
Bank balance and cash disposed of	(55,158)

44. CAPITAL AND OTHER COMMITMENTS

	2011	2010
	HK$'000	*HK$'000*
Capital expenditure in respect of the acquisition of property, plant and equipment and construction of investment properties under development contracted for but not provided in the consolidated financial statements	32,439	14,991
Other commitments:		
– acquisition of subsidiaries *(Note a)*	597,809	597,809
– injection of total investment of an associate *(Note b)*	53,066	153,584
– acquisition of a land use right *(Note 24)*	–	5,000
– loan to an associate *(Note 21)*	15,000	15,000
– loan to a joint venture	–	4,393
– acquisition of properties held for sale	–	3,420
– construction of properties held for sale	5,455	–
	671,330	779,206
	703,769	794,197

Notes:

(a) *On 15th December, 2009, a subsidiary of the Company entered into two sale and purchase agreements (the "Agreements") with Cango Trading Limited and Bright Sino Profits Limited ("BSP") to acquire 100% equity interest in Newskill Investments Limited ("Newskill") and the shareholder's loan owing by Newskill and its subsidiary (hereinafter collectively referred to as the "Newskill Group") for a consideration of an aggregate amount of HK$960 million. Newskill is an investment holding company and has interest in a joint venture which possesses a piece of land situated in the PRC. As of 31st March, 2011 and 2010, deposits amounting to HK$362,191,000 had been paid by the Group to BSP. Details of the acquisition were set out in a circular of the Company dated 31st May, 2010. As stated in the circular, Mr. C.M. Tang, the sole shareholder of BSP, is the executive director of Trasy Gold Ex Limited (a company whose shares are listed on the Growth Enterprise Market of the Stock Exchange) and a merchant with investments in properties, and in the opinion of the directors of the Company, the credit risk is not significant and the amounts can be fully recovered. The transaction is pending for fulfillment of conditions precedent in the Agreements. The transaction is expected to be completed on or before 31st July, 2011.*

(b) *On 5th November, 2009, a subsidiary of the Company entered into an agreement with Guizhou Hong Neng Hot Spring Resort Tourism Development Company Limited ("Hong Neng") for the formation of an associate, which would be principally engaged in the development and management of a hot spring and resort project in Guiyang, the PRC.*

On 6th January, 2010, the Group and Hong Neng entered into a memorandum in relation to the proposed increase of the total investment of the associate to RMB500 million (equivalent to approximately HK$589.6 million). The increase in the total investment is to be contributed in cash by the Group and Hong Neng, in proportion to their respective equity interests of 45% and 55% in the associate. As of 31st March, 2011, an aggregate amount of RMB180 million (equivalent to approximately HK$212.3 million) had been paid by the Group. Details of the acquisition were set out in a circular of the Company dated 25th January, 2010.

45. OPERATING LEASE COMMITMENTS

The Group as lessee

	2011	2010
	HK$'000	*HK$'000*
Minimum lease payments paid under operating leases during the year:		
Premises	17,044	14,639

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2011	2010
	HK$'000	*HK$'000*
Within one year	7,050	15,069
In the second to fifth year inclusive	8,471	5,410
Over five years	11,677	11,205
	27,198	31,684

Operating lease payments represent rentals payable by the Group for certain of its office premises and golf course. Leases are negotiated for an average term of three years and rentals are either fixed or, in addition to the fixed rentals, determined based on a fixed percentage of the monthly gross turnover of the outlets, for an average term of five years.

The Group as lessor

Property rental income earned during the year was HK$7,557,000 (2010: HK$8,429,000). The properties which are leased out as at 31st March, 2011 have rental yield of approximately 4% and with committed tenants with the longest tenure within two years of the end of the reporting period.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2011	2010
	HK$'000	*HK$'000*
Within one year	315	6,838
In the second to fifth year inclusive	4	399
	319	7,237

46. PLEDGE OF ASSETS

At the end of the reporting period, the Group's bank borrowings and credit facilities from financial institutions were secured by the following:

	2011	2010
	HK$'000	*HK$'000*
		(Restated)
Property, plant and equipment	280	225
Investment properties under development	540,000	373,933
Properties held for sale	597,171	661,851
Bank deposits	–	42,200
	1,137,451	1,078,209

47. RETIREMENT BENEFITS SCHEMES

The Group operates a defined contribution retirement benefits scheme which is registered under the Occupational Retirement Scheme Ordinance for eligible employees. The assets of the scheme are separately held in funds under the control of trustees.

The cost charged to the consolidated statement of comprehensive income represents contributions paid or payable to the fund by the Group at rates specified in the rules of the scheme. Where there are employees who leave the scheme prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions.

At the end of the reporting period, the Group had no significant forfeited contributions, which arose upon employees leaving the retirement benefits scheme and which are available to reduce the contributions payable by the Group in future years.

With effect from 1st December, 2000, the Group has also joined the Mandatory Provident Fund Scheme (the "MPF Scheme") for employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Scheme Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee.

Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rate specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme. The contributions to the MPF Scheme charged to the consolidated statement of comprehensive income represent contributions paid or payable to the funds by the Group at rates specified in the rules of the scheme. No forfeited contribution is available to reduce the contribution payable in future years.

The employees of the subsidiaries in the PRC are members of state-managed retirement benefits schemes operated by the PRC government. The subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes are to make the required contributions under the schemes.

The total cost charged to the consolidated income statement of HK$6,621,000 (2010: HK$1,900,000) represents contributions paid or payable to the schemes by the Group during the year.

48. RELATED AND CONNECTED PARTY TRANSACTIONS AND BALANCES

Related party transactions

(a) During the year, the Group entered into the following transactions with related parties:

Related parties	*Notes*	**Nature of transactions**	**2011** *HK$'000*	**2010** *HK$'000*
Associates:				
Orient Town Limited		Interest income	14,057	14,126
Orient Town Project Management Limited		Management fee received	120	120
Macau Properties Holdings Limited		Rental income	540	–
Business Action Holdings Limited		Interest income	3,060	634
Other related companies:				
Great Intelligence Holdings Limited ("Great Intelligence")	*(a)*	Rental expenses and management fee paid	3,154	3,154
Wing On	*(b)*	Interest income	–	2,792

Notes:

(a) Great Intelligence is a wholly-owned subsidiary of ITC Corporation Limited ("ITC"), which is a substantial shareholder of the Company.

(b) Mr. Cheung Hon Kit, the Chairman and an executive director of the Company is also the chairman and an executive director of Wing On.

Details of the outstanding balances with related parties are set out in the consolidated statement of financial position and in notes 21 and 22.

(b) Compensation of key management personnel

The remuneration of directors during the year was as follows:

	2011 *HK$'000*	**2010** *HK$'000*
Short-term benefits	16,192	19,612
Post-employment benefits	378	387
Share-based payments	10,665	898
	27,235	20,897

The remuneration of directors is determined by the remuneration committee having regard to the performance of individuals and market trends.

Connected party transactions

(a) On 15th December, 2009, ITCP (China) (formerly known as Macau Prime Property (China) Limited), entered into two sale and purchase agreements in relation to the acquisition of the entire interest in Newskill of which Cango Trading Limited ("CTL") is one of the vendors holding 8% interest in the issued share capital of Newskill (the "CTL Acquisition Agreement").

The consideration payable by ITCP (China) to CTL is HK$76.8 million which shall wholly be settled in cash upon completion of the CTL Acquisition Agreement. By virtue of the fact that CTL was an indirect wholly-owned subsidiary of Hanny Holdings Limited ("Hanny"), which in turn was a substantial shareholder of the Company indirectly holding approximately 16.22% of its issued share capital as at the date of the CTL Acquisition Agreement, the CTL Acquisition Agreement constituted a connected transaction for the Company under Chapter 14A of the Listing Rules. Details of the transaction are set out in the announcement dated 23rd December, 2009 and the circular dated 31st May, 2010 of the Company. The CTL Acquisition Agreement was approved by the independent shareholders of the Company at the special general meeting of the Company held on 17th June, 2010 but which completion has not yet taken place up to the date these consolidated financial statements were authorised for issue.

(b) During the year ended 31st March, 2008, Donson (International) Development Limited ("Donson"), an indirect wholly-owned subsidiary of the Company, entered into several agreements in relation to:

(i) the disposal by Donson of its entire interest in Guangzhou Panyu Lotus Golf & Country Club Co., Ltd. ("Panyu Golf"), Guangzhou Panyu Wei Di Si Golf Property Company Limited ("Wei Di Si") and Guangzhou Lian Chui Property Management Company Limited ("Lian Chui") to 廣州市番禺協誠實業有限公司 ("番禺協誠"), a company incorporated in the PRC with limited liability, which is an investment holding company controlled by the Panyu Municipal Government, the PRC, for an aggregate cash consideration of RMB20 million (equivalent to approximately HK$22.8 million);

(ii) the co-operation between Panyu Golf and Donson in the development of a parcel of land within Guangzhou Lotus Hill Golf Resort (the "Development Agreement") in which the Group will have the right to share 65% of its residual value. Under the terms of the Development Agreement, the Group will provide a loan of RMB40 million (equivalent to approximately HK$45.5 million) to Panyu Golf for use in the Development Project as set out in note 20; and

(iii) the lease of Guangzhou Lotus Hill Golf Resort (the "Lease Agreement") which comprises golf course and golf clubhouse within Panyu, Guangzhou, Guangdong Province, the PRC by Panyu Golf to Guangzhou Donson Hotel Management Limited ("Donson Hotel Management"), a subsidiary of the Company, for three years commencing from the date of the Lease Agreement entered into between Donson Hotel Management as lessee and Panyu Golf as lessor for the lease of the Guangzhou Lotus Hill Golf Resort on 16th April, 2008 at an annual rental of RMB5 million (equivalent to approximately HK$5.7 million) renewable at the option of Donson Hotel Management at successive terms of 3 years up to 20 years.

By virtue of the fact that 番禺協誠 is controlled by the Panyu Municipal Government and 廣州市番禺旅游總公司 ("番禺旅游"), a company established in the PRC which is a substantial shareholder of Panyu Golf, Wei Di Si and Lian Chui, is also controlled by the Panyu Municipal Government, 番禺協誠 and 番禺旅游 are therefore connected persons of the Company. Further details of the transactions are set out in the announcement dated 7th December, 2007. The disposal was completed on 6th March, 2008.

During the year ended 31st March, 2011, lease rental of RMB5,000,000 (equivalent to approximately HK$5,800,000) (2010: RMB5,000,000 (equivalent to approximately HK$5,688,000)) was paid to Panyu Golf. The rentals were charged in accordance with the Lease Agreement.

(c) During the year ended 31st March, 2009, an indirect wholly-owned subsidiary of the Company entered into a tenancy agreement with Island Town Limited, an indirect wholly-owned subsidiary of Hanny, a substantial shareholder of the Company. The related rental expenses paid were HK$4,023,000 (2010: HK$4,023,000) for the year ended 31st March, 2011. The rentals were charged in accordance with the relevant tenancy agreements.

As at the date of the tenancy agreement, Hanny was indirectly interested in approximately 16.72% of the issued share capital of the Company. Accordingly, Island Town Limited was a connected person of the Company and the tenancy agreement constituted a continuing connected transaction for the Company under Rule 14A.14 of the Listing Rules. Based on the register maintained by the Company pursuant to Part XV of the SFO and so far as known to the directors as referred to the Form 2 filed by Hanny with the Stock Exchange on 26th November, 2010, Hanny ceased to be a substantial shareholder of the Company on 25th November, 2010. Accordingly, the tenancy agreement no longer constituted a continuing connected transaction for the Company since 25th November, 2010.

(d) On 28th April, 2008, two subsidiaries of the Company entered into two tenancy agreements (the "Pre-existing Tenancy Agreements") with an indirect wholly-owned subsidiary of ITC, a substantial shareholder of the Company. The rental expense paid to the subsidiary of a substantial shareholder of the Company was HK$3,154,000 (2010: HK$3,154,000) for the year ended 31st March, 2011. The rentals were charged in accordance with the relevant tenancy agreements.

As stated in the announcement of the Company dated 14th October, 2010, ITC had become a substantial shareholder of the Company on 13th October, 2010 following its wholly-owned subsidiary's interest in the Company reached approximately 11.15% of the issued share capital of the Company. Accordingly, the Pre-existing Tenancy Agreements constituted a continuing connected transaction for the Company under Rule 14A.14 of the Listing Rules since 13th October, 2010.

(e) On 29th September, 2010, ITC Properties Holdings Group Limited ("ITCP Holdings"), a wholly-owned subsidiary of the Group, entered into a sale and purchase agreement ("VWL Agreement") with Vigorous World Limited ("VWL"), which is a wholly-owned subsidiary of Hanny.

Pursuant to the VWL Agreement, ITCP Holdings has conditionally agreed to sell 50% of issued share capital of ITCP (China), and 50% of all the amounts owing by ITCP (China) to VWL, at a consideration of HK$480,000,000. Deposit of HK$350,000,000 has been received from VWL as set out in Note 32.

By virtue of the fact that VWL is a wholly-owned subsidiary of Hanny, which in turn was a substantial shareholder of the Company indirectly holding approximately 13.52% of its issued share capital as at the date of the VWL Agreement, the VWL Agreement constituted a connected transaction for the Company under Chapter 14A of the Listing Rules. Details of the transaction are set out in the announcement dated 6th October, 2010. The VWL Agreement was approved by the independent shareholders of the Company at the special general meeting of the Company held on 12th November, 2010 but which completion has not yet taken place up to the date when these consolidated financial statements were authorised for issue.

(f) On 21st February, 2011, the Company announced to make an offer (the "Repurchase Offer") to holders of the 2011 Convertible Notes due on 15th June, 2011 issued by the Company in an aggregate outstanding principal amount of HK$906,000,000 as at the date of the announcement, to repurchase (subject to the fulfillment of certain conditions precedent) the 2011 Convertible Notes, by way of issue of 3.25% convertible notes falling due 30 months after the date of its issue, with an initial conversion price of HK$2.20 per share (subject to adjustments) (the "New Notes"). Selective Choice Investments Limited ("Selective Choice"), an indirect wholly-owned subsidiary of ITC Corporation Limited ("ITC"), was a holder of the 2011 Convertible Notes in an aggregate outstanding principal amount of HK$64,000,000 as at the date of the announcement. By virtue of the fact that Selective Choice was an indirect wholly-owned subsidiary of ITC, which in turn was a substantial shareholder of the Company indirectly holding approximately 24.71% of its issued share capital as at the date of the announcement, the Repurchase Offer made, and the possible issue of the New Notes and the conversion shares by the Company upon exercise of the conversion rights attaching to the New Notes under the Repurchase Offer (the "Conversion Shares") to Selective Choice constituted connected transactions for the Company under Chapter 14A of the Listing Rules. Details of the transactions were set out in the announcements dated 21st February, 2011, 1st April, 2011, 13th May, 2011 and 25th May, 2011 respectively and the circular dated 21st April, 2011 of the Company.

The Repurchase Offer and the transactions contemplated thereunder including the issue of the New Notes and the Conversion Shares were approved by the independent shareholders of the Company at the special general meeting of the Company held on 13th May, 2011.

49. EVENT AFTER THE REPORTING PERIOD

As explained in note 48(f), shareholders of the Company approved the Repurchase Offer to the holders of the 2011 Convertible Notes in the aggregate outstanding principal amount of HK$906,000,000 at the special general meeting of the Company held on 13th May, 2011.

On 25th May, 2011, the Company issued the New Notes in an aggregate principal amount of HK$589,050,000 to holders of the 2011 Convertible Notes who had accepted in whole or in part the Repurchase Offer. The holders of the New Notes have the right to convert the principal amount of the New Notes into shares of the Company at an initial conversion price of HK$2.20 per share (subject to adjustments) during the period from 9th June, 2011 up to and including the date which is 15 days prior to 25th November, 2013.

The 2011 Convertible Notes for which the Repurchase Offer is not accepted were duly redeemed by the Company using the net proceeds from the placing of the new convertible notes and internal resources of the Group.

On 10th June, 2011, the Company placed HK$30 million unsecured 3.25% convertible notes due 2013 (the "Placing New Notes"). The holders of the Placing New Notes have the right to convert the principal amount of the Placing New Notes into shares of the Company at an initial conversion price of HK$2.20 per share (subject to adjustments) during the period from 25th June, 2011 up to and including the date which is 15 days prior to 10th December, 2013.

The directors are in the process of assessing the financial impact of the Repurchase Offer and the issue of the new convertible notes.

50. SUMMARISED STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2011 HK$'000	2010 HK$'000
Assets			
– Investments in subsidiaries		363,041	347,437
– Amounts due from subsidiaries		3,181,499	3,524,847
– Others		326	240
		3,544,866	3,872,524
Liabilities		(988,906)	(1,437,469)
		2,555,960	2,435,055
Capital and reserves			
Share capital		5,649	4,709
Reserves	*(a)*	2,550,311	2,430,346
		2,555,960	2,435,055

Note:

(a) Reserves

	Share premium HK$'000	Contributed surplus HK$'000	Capital redemption reserve HK$'000	Convertible loan notes equity reserve HK$'000	Share-based payment reserve HK$'000 (Note)	Warrant reserve HK$'000	Retained profits HK$'000	Total HK$'000
THE COMPANY								
At 1st April, 2009	1,972,794	113,020	7,216	307,719	12,767	34,571	57,668	2,505,755
Loss for the year	–	–	–	–	–	–	(63,505)	(63,505)
Exercise of warrants	3	–	–	–	–	(1)	–	2
Transfer on lapse of warrants	–	–	–	–	–	(34,570)	34,570	–
Transfer on cancellation of share option	–	–	–	–	(13,975)	–	721	(13,254)
Recognition of equity-settled share-based payments	–	–	–	–	1,348	–	–	1,348
At 31st March, 2010	1,972,797	113,020	7,216	307,719	140	–	29,454	2,430,346
Loss for the year	–	–	–	–	–	–	(43,541)	(43,541)
Issue of shares	149,460	–	–	–	–	–	–	149,460
Transaction cost attributable to issue of shares	(2,467)	–	–	–	–	–	–	(2,467)
Transfer on maturity of convertible notes	–	–	–	(83,810)	–	–	83,810	–
Recognition of equity-settled share-based payments	–	–	–	–	16,513	–	–	16,513
At 31st March, 2011	2,119,790	113,020	7,216	223,909	16,653	–	69,723	2,550,311

Note: The contribution surplus of the Company represents the credit arising from Capital Reduction pursuant to the Capital Reorganisation on 13th March, 2010.

51. PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31st March, 2011 and 2010 are as follows:

Name of subsidiary	Place of operation	Place of incorporation registration/ establishment	Issued and fully paid share/ registered capital	Percentage of issued share/registered capital held by the Company				Principal activities
				Directly		Indirectly		
				2011	2010	2011	2010	
				%	%	%	%	
Advance Tech Limited	Hong Kong	Hong Kong	HK$1 ordinary share	–	–	100	100	Securities investment
Castle Win International Limited	Hong Kong	Hong Kong	HK$1 ordinary share	–	–	100	100	Property development
Donson	Hong Kong	Hong Kong	HK$85,297,692 ordinary shares	–	–	100	100	Investment holding
Fortress Jet International Limited	Hong Kong	Hong Kong	HK$2 ordinary shares	–	–	100	100	Property investment
Harbour Rainbow Limited	Hong Kong	Hong Kong	HK$1 ordinary share	–	–	100	100	Property investment
Hayton Limited	Macau	Hong Kong	HK$1 ordinary share	–	–	100	100	Property investment
ITC Properties Management Limited	Hong Kong	Hong Kong	HK$2,000 ordinary shares	–	–	100	100	Securities investment and investment holding
			HK$500,000 non-voting deferred shares *(note a)*	–	–	–	–	
Hong De Properties (Hong Kong) Company Limited (formerly known as ITC (China) Properties Group Limited)	Hong Kong	Hong Kong	HK$1 ordinary share	–	–	100	100	Investment holding
ITC Properties Investment (China) Limited	Hong Kong	British Virgin Islands	US$1 ordinary share	–	–	100	100	Investment holding

Name of subsidiary	Place of operation	Place of incorporation registration/ establishment	Issued and fully paid share/ registered capital	Percentage of issued share/registered capital held by the Company Directly 2011 %	Directly 2010 %	Indirectly 2011 %	Indirectly 2010 %	Principal activities
ITC Properties (Panyu) Limited	Hong Kong	British Virgin Islands	US$1 ordinary share	–	–	100	100	Investment holding
ITC Golf & Leisure Group Limited	Hong Kong	British Virgin Islands	US$1 ordinary share	–	–	100	100	Investment holding
Keen Step Corporation Limited	Hong Kong	Hong Kong	HK$2 ordinary shares	–	–	100	100	Property investment
ITC Properties Finance Limited	Hong Kong	Hong Kong	HK$2 ordinary shares	–	–	100	100	Money lending
Master Super Development Limited	Hong Kong	Hong Kong	HK$100 ordinary shares	–	–	100	100	Property investment
Million Orient Limited	Hong Kong	Hong Kong	HK$1 ordinary share	–	–	100	100	Investment holding
Oriental Mind Limited	Hong Kong	British Virgin Islands	US$1 ordinary share	–	–	100	100	Investment holding
Pine Cheer Limited	Hong Kong	Hong Kong	HK$100 ordinary shares	–	–	100	100	Property investment
Sino Able Investments Limited	Hong Kong	Hong Kong	HK$1 ordinary share	–	–	100	100	Property investment
Smarteam Limited	Macau	Hong Kong	HK$1 ordinary share	–	–	100	100	Property investment
South Step Limited	Hong Kong	Hong Kong	HK$1 ordinary share	–	–	100	100	Property investment and development
Teamate Limited	Hong Kong	British Virgin Islands	US$1 ordinary share	–	–	100	100	Investment holding
Top Century International Limited	Hong Kong	British Virgin Islands	US$1 ordinary share	–	–	100	100	Investment holding

Name of subsidiary	Place of operation	Place of incorporation registration/ establishment	Issued and fully paid share/ registered capital	Percentage of issued share/registered capital held by the Company				Principal activities
				Directly		Indirectly		
				2011	2010	2011	2010	
				%	%	%	%	
Well Cycle Limited	Hong Kong	Hong Kong	HK$2 ordinary shares	–	–	100	100	Letting of motor vehicles
三亞亞龍灣風景高爾夫文化公園有限公司	PRC	PRC *(note b)*	RMB35,000,000	–	–	80	80	Development and operation of hotel and golf resort
三亞亞龍灣紅峽谷度假酒店有限公司	PRC	PRC *(note b)*	HK$30,000,000	–	–	96	96	Development and operation of hotel
廣州市東迅酒店管理有限公司	PRC	PRC *(note b)*	HK$5,000,000	–	–	100	100	Development and operation of hotel
廣州市德祥房地產咨詢有限公司	PRC	PRC	HK$100,000	–	–	100	100	Management and consultancy services
深圳德祥投資咨詢有限公司	PRC	PRC	HK$5,000,000	–	–	100	–	Management and consultancy services

Notes:

(a) *The non-voting deferred shares, which are not held by the Group, practically carry no rights to dividends or to receive notice of or to attend or vote at any general meeting of the respective companies nor to participate in any distribution on winding up.*

(b) *The subsidiaries were established in the PRC as a sino-foreign equity joint venture companies.*

None of the subsidiaries had any debt securities outstanding at the end of the reporting period or at any time during the year.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

3. UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The following is the full text of the unaudited financial statements of the Group for the six months ended 30th September, 2011 extracted from the interim report of the Company for the six months ended 30th September, 2011. Based on the interim report of the Company for the six months ended 30th September, 2011, there were no items which are exceptional or extraordinary because of size, nature or incidence, and no dividend had been paid or declared by the Company for the six months ended 30th September, 2011.

CONDENSED CONSOLIDATED INCOME STATEMENT

(For the six months ended 30th September, 2011)

		Six months ended 30th September	
		2011	**2010**
	NOTES	*HK$'000*	*HK$'000*
		(Unaudited)	*(Unaudited)* (Restated)
Turnover			
– Gross proceeds	3	96,747	166,488
Revenue	3	74,129	131,983
Property sales and rental income		56,779	109,394
Golf and leisure income		6,846	15,254
		63,625	124,648
Cost of sales		(49,230)	(100,371)
Gross profit		14,395	24,277
Income from loan financing		9,831	7,313
Net loss on financial instruments	4	(51,498)	(10,091)
Other income, gains and loss	5	24,012	135,040
Increase in fair value of investment properties under development	12	57,213	102,554
Administrative expenses		(72,382)	(93,535)
Share of results of associates		(26,718)	40,867
Share of results of jointly controlled entities		(77)	171
Finance costs	6	(45,175)	(58,529)
(Loss) profit before taxation		(90,399)	148,067
Taxation	7	741	(18,437)
(Loss) profit for the period	8	(89,658)	129,630
(Loss) profit for the period attributable to:			
Owners of the Company		(89,165)	129,896
Non-controlling interests		(493)	(266)
		(89,658)	129,630
(Loss) earnings per share	10		
– Basic (HK dollars)		(0.16)	0.25
– Diluted (HK dollars)		(0.16)	0.24

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(For the six months ended 30th September, 2011)

	Six months ended 30th September 2011 HK$'000 (Unaudited)	Six months ended 30th September 2010 HK$'000 (Unaudited) (Restated)
(Loss) profit for the period	(89,658)	129,630
Other comprehensive income		
Net (loss) gain on fair value changes of available-for-sale investments	(6,752)	2,192
Reclassification adjustments on disposal of available-for-sale investments	–	(109)
Exchange difference arising on translation of foreign operations	6,704	3,504
Share of translation reserve of associates	1,324	816
Other comprehensive income for the period	1,276	6,403
Total comprehensive (expense) income for the period	(88,382)	136,033
Total comprehensive (expense) income for the period attributable to:		
Owners of the Company	(87,876)	136,299
Non-controlling interests	(506)	(266)
	(88,382)	136,033

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(At 30th September, 2011)

	NOTES	30.9.2011 HK$'000 (unaudited)	31.3.2011 HK$'000 (audited)
Non-current assets			
Property, plant and equipment	11	207,810	10,442
Prepaid lease payments of leasehold land		20,873	–
Premium on prepaid lease payments of leasehold land		104,716	–
Investment properties under development	12	605,000	540,000
Available-for-sale investments		37,932	44,684
Interests in jointly controlled entities		5,971	1,221
Interests in associates	13	334,313	398,422
Unsecured loans and interest due from associates	13	832,786	797,703
Deposits paid for acquisition of subsidiaries		422,191	362,191
Other loan receivables	14	145,480	144,583
		2,717,072	2,299,246
Current assets			
Inventories		3,820	355
Properties held for sale		18,912	660,094
Prepaid lease payments of leasehold land		568	–
Unsecured loans and interest due from associates	13	–	354,991
Other loan receivables	14	176,307	114,458
Debtors, deposits and prepayments	15	286,859	359,071
Financial assets at fair value through profit or loss	16	118,674	126,397
Amounts due from associates		9,517	10,089
Bank balances and cash		638,446	294,755
		1,253,103	1,920,210
Assets classified as held for sale	17	601,081	343,066
		1,854,184	2,263,276

	NOTES	30.9.2011 HK$'000 (unaudited)	31.3.2011 HK$'000 (audited)
Current liabilities			
Creditors, deposits and accrued charges	18	237,590	152,197
Deposits received for disposal of subsidiaries		850,574	526,826
Amount due to a non-controlling shareholder of a subsidiary		315	–
Tax payable		20,538	20,036
Convertible note payables – due within one year	19	–	987,598
Obligations under finance leases – due within one year		89	85
Bank borrowings – due within one year	20	75,000	300,000
		1,184,106	1,986,742
Liabilities associated with assets classified as held for sale	17	325,518	91,351
		1,509,624	2,078,093
Net current assets		344,560	185,183
Total assets less current liabilities		3,061,632	2,484,429
Non-current liabilities			
Convertible note payables – due after one year	19	514,528	–
Obligations under finance leases – due after one year		150	195
Bank borrowings – due after one year	20	100,000	100,000
Deferred tax liabilities		27,586	1,406
		642,264	101,601
		2,419,368	2,382,828
Capital and reserves			
Share capital	21	5,649	5,649
Reserves		2,407,659	2,370,613
Equity attributable to owners of the Company		2,413,308	2,376,262
Non-controlling interests		6,060	6,566
		2,419,368	2,382,828

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(For the six months ended 30th September, 2011)

	Attributable to owners of the Company													
	Share capital *HK$'000*	Share premium *HK$'000*	Contributed surplus *HK$'000*	Capital redemption reserve *HK$'000*	Convertible note equity reserve *HK$'000*	Share-based payment reserve *HK$'000*	Available-for-sale investments reserve *HK$'000*	Special reserve *HK$'000* *(Note)*	Revaluation reserve *HK$'000*	Translation reserve *HK$'000*	Accumulated losses *HK$'000*	Sub-total *HK$'000*	Non-controlling interests *HK$'000*	Total *HK$'000*
At 1st April, 2010 (audited)	4,709	1,972,797	113,020	7,216	307,719	140	8,669	(8,908)	804	9,413	(300,941)	2,114,638	7,185	2,121,823
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	–	–	–	3,504	–	3,504	–	3,504
Share of translation reserve of associates	–	–	–	–	–	–	–	–	–	816	–	816	–	816
Net gain on fair value changes of available-for-sale investments	–	–	–	–	–	–	2,192	–	–	–	–	2,192	–	2,192
Reclassification adjustment on disposal of available-for-sale investments	–	–	–	–	–	–	(109)	–	–	–	–	(109)	–	(109)
Profit for the period (restated)	–	–	–	–	–	–	–	–	–	–	129,896	129,896	(266)	129,630
Total comprehensive income (expense) for the period	–	–	–	–	–	–	2,083	–	–	4,320	129,896	136,299	(266)	136,033
Transfer on maturity of convertible notes	–	–	–	–	(83,810)	–	–	–	–	–	83,810	–	–	–
Issue of shares	940	149,460	–	–	–	–	–	–	–	–	–	150,400	–	150,400
Transaction cost attributable to issue of shares	–	(2,456)	–	–	–	–	–	–	–	–	–	(2,456)	–	(2,456)
Recognition of equity-settled share-based payments	–	–	–	–	–	8,321	–	–	–	–	–	8,321	–	8,321
At 30th September, 2010 (unaudited) (restated)	5,649	2,119,801	113,020	7,216	223,909	8,461	10,752	(8,908)	804	13,733	(87,235)	2,407,202	6,919	2,414,121

	Attributable to owners of the Company													
	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Capital redemption reserve HK$'000	Convertible note equity reserve HK$'000	Share-based payment reserve HK$'000	Available-for-sale investments reserve HK$'000	Special reserve HK$'000 (Note)	Revaluation reserve HK$'000	Translation reserve HK$'000	Accumulated losses HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1st April, 2011 (audited)	5,649	2,119,790	113,020	7,216	223,909	16,653	12,556	(8,908)	804	22,249	(136,676)	2,376,262	6,566	2,382,828
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	–	–	–	6,717	–	6,717	(13)	6,704
Share of translation reserve of associates	–	–	–	–	–	–	–	–	–	1,324	–	1,324	–	1,324
Net loss on fair value changes of available-for-sale investments	–	–	–	–	–	–	(6,752)	–	–	–	–	(6,752)	–	(6,752)
Loss for the period	–	–	–	–	–	–	–	–	–	–	(89,165)	(89,165)	(493)	(89,658)
Total comprehensive income (expense) for the period	–	–	–	–	–	–	(6,752)	–	–	8,041	(89,165)	(87,876)	(506)	(88,382)
Repurchase of convertible notes	–	–	–	–	(132,344)	–	–	–	–	–	132,344	–	–	–
Redemption of convertible notes	–	–	–	–	(91,565)	–	–	–	–	–	91,565	–	–	–
Transfer on forfeit of shares options	–	–	–	–	–	(241)	–	–	–	–	241	–	–	–
Recognition of equity component of convertible notes	–	–	–	–	122,200	–	–	–	–	–	–	122,200	–	122,200
Recognition of equity-settled share-based payments	–	–	–	–	–	2,722	–	–	–	–	–	2,722	–	2,722
At 30th September, 2011 (unaudited)	5,649	2,119,790	113,020	7,216	122,200	19,134	5,804	(8,908)	804	30,290	(1,691)	2,413,308	6,060	2,419,368

Note: *Special reserve of the Group represents the difference between the nominal value of the share capital of the subsidiaries acquired and the nominal amount of the share capital of the Company issued as consideration under the group reorganisation in 1994.*

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(For the six months ended 30th September, 2011)

	Six months ended 30th September 2011 HK$'000 (unaudited)	2010 HK$'000 (unaudited)
Net cash (used in) from operating activities	(95,906)	42,871
Net cash from investing activities		
Repayment from associates	361,435	30,000
Deposits received for disposal of subsidiaries	323,748	487,628
Interest received	64,692	2,030
Earnest monies received	36,450	25,000
Capital injection in associates	–	(103,102)
Earnest monies paid	(3,654)	(57,833)
Advance to associates	(1,600)	(49,099)
Deposits paid for acquisition of subsidiaries	(60,000)	–
Other investing cash flows	(17,074)	11,920
	703,997	346,544
Net cash used in financing activities		
Redemption of convertible note payables	(407,550)	(537,082)
Repayment of bank and other borrowings	(316,000)	(22,293)
Proceeds from issue of shares	–	150,400
New bank and other borrowings raised	416,000	10,000
Proceeds from issue of convertible notes	30,000	–
Other financing cash flows	28	(2,441)
	(277,522)	(401,416)
Net increase (decrease) in cash and cash equivalents	330,569	(12,001)
Cash and cash equivalents at beginning of the period	306,531	160,661
Effect of foreign exchange rate changes	1,346	105
	638,446	148,765
Cash and cash equivalents at end of the period, representing bank balances and cash	638,446	142,947
Cash and cash equivalents included in assets classified as held for sale	–	5,818
	638,446	148,765

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(For the six months ended 30th September, 2011)

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30th September, 2011 are the same with those followed in the preparation of the Group's annual financial statements for the year ended 31st March, 2011, except for the change described below.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations (the "new and revised HKFRSs") issued by the HKICPA.

HKFRSs (Amendments)	Improvements to HKFRSs 2010
HKAS 24 (as revised in 2009)	Related Party Disclosures
HK(IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

The application of the above new and revised HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

The Group has applied the amendments to HKAS 12 titled *Deferred Tax: Recovery of Underlying Assets* in the consolidated financial statements for the year ended 31st March, 2011. Under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 *Investment Property* are presumed to be recovered through sale, unless the presumption is rebutted in certain circumstances.

As a result, the Group's investment properties under development that are measured using the fair value model have been presumed to be recovered through sale for the purpose of measuring deferred tax liabilities and deferred tax assets in respect of such properties. The adoption of the amendments has been applied retrospectively and accordingly the comparative figures in the condensed consolidated income statement in respect of the six months ended 30th September, 2010 have been restated. The Group's income tax expense for the six months ended 30th September, 2010 is reduced by HK$14,766,000 and profit for the six months ended 30th September, 2010 is increased by HK$14,766,000 as a result of the restatement.

The impact of the Group's restatement of its interim results for the comparative period following its adoption of a new accounting policy, have effects on the interim financial statements as follows:

	Six months ended 30th September 2010
	HK$'000
Decrease in taxation	14,766
Increase in profit for the period	14,766
Increase in basic earnings per share	HK$0.03
Increase in diluted earnings per share	HK$0.02

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

HKFRS 7 (Amendments)	Disclosure – Transfers of Financial Assets[3]
HKFRS 9	Financial Instruments[1]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[2]
HKAS 19 (as revised in 2011)	Employee Benefits[1]
HKAS 27 (as revised in 2011)	Separate Financial Statements[1]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[1]
HK (IFRIC) – INT 20	Stripping Costs in the Production Phase of a Surface Mine[1]

1 Effective for annual periods beginning on or after 1st January, 2013.
2 Effective for annual periods beginning on or after 1st July, 2012.
3 Effective for annual periods beginning on or after 1st July, 2011.

The new or revised standards on consolidation, joint arrangements and disclosures were issued by the HKICPA in June 2011 and are effective for annual periods beginning on or after 1st January, 2013. Earlier application is permitted provided that all of these new or revised standards are applied early at the same time. The directors of the Company anticipate that these new or revised standards will be applied in the Group's consolidated financial statements for financial year ending 31st March, 2014 and the potential impact is described below.

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and Separate Financial Statements" that deal with consolidated financial statements. Under HKFRS 10, there is only one basis for consolidation that is control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios including cases where an investor may control an investee with less than majority of the voting rights. The directors of the Company are still assessing the financial effect of the application of HKFRS 10 on the Group.

HKFRS 11 replaces HKAS 31 "Interests in Joint Ventures". HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, there are two types of joint arrangements: joint ventures and joint operations. The classification in HKFRS 11 is based on parties' rights and obligations under the arrangements. In contrast, under HKAS 31, there are three different types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate accounting. The application of HKFRS 11 is not expected to have significant impact to the Group. The Group's jointly controlled entities that are currently accounted for using the equity method of accounting would be classified as joint ventures and accounted for in accordance with HKFRS 11.

Other than disclosed above, the directors of the Company anticipate that the application of these new or revised standards, amendments and interpretations will have no material impact on the results and the financial position of the Group.

3. SEGMENT INFORMATION

The Group's operating segments, based on information reported to the chief operating decision maker (the "CODM"), the executive directors of the Company, for the purpose of resource allocation and performance assessment, are as follows:

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

Information regarding these segments is reported below.

For the six months ended 30th September, 2011

	Turnover	**Segment revenue**	**Operating profit (loss)**	**Share of results of associates**	**Share of results of jointly controlled entities**	**Finance costs**	**Segment results: (loss) profit before taxation**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note a)	*(Note b)*					*(Note d)*
Property	56,529	56,529	73,573	(21,164)	189	(3,759)	48,839
Golf and leisure *(Note c)*	7,096	7,096	(6,491)	–	–	–	(6,491)
Securities investments	23,291	673	(50,686)	–	–	–	(50,686)
Finance	9,831	9,831	9,668	–	–	–	9,668
SEGMENT TOTAL	96,747	74,129	26,064	(21,164)	189	(3,759)	1,330
Central administrative costs	–	–	(44,493)	(5,554)	(266)	(41,416)	(91,729)
GROUP TOTAL	96,747	74,129	(18,429)	(26,718)	(77)	(45,175)	(90,399)

For the six months ended 30th September, 2010

	Turnover	Segment revenue	Operating profit (loss)	Share of results of associates	Share of results of jointly controlled entities	Finance costs	Segment results: profit (loss) before taxation
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note a)	*(Note b)*					*(Note d)*
Property	106,043	106,043	236,855	43,310	171	(3,993)	276,343
Golf and leisure *(Note c)*	18,605	18,605	(19,632)	–	–	(931)	(20,563)
Securities investments	34,527	22	(3,607)	–	–	–	(3,607)
Finance	7,313	7,313	633	–	–	–	633
SEGMENT TOTAL	166,488	131,983	214,249	43,310	171	(4,924)	252,806
Central administrative costs	–	–	(48,691)	(2,443)	–	(53,605)	(104,739)
GROUP TOTAL	166,488	131,983	165,558	40,867	171	(58,529)	148,067

Notes:

(a) *Turnover as set out above comprise rental income and sales proceeds of properties, revenue from golf and leisure operations, dividend income from investments held-for-trading, gross proceeds from disposal of investments held-for-trading and loan financing income.*

(b) *Revenue as set out above comprise rental income and sales proceeds of properties, revenue from golf and leisure operations, dividend income from investments held-for-trading, net gain from disposal of investments held-for-trading and loan financing income.*

(c) *Turnover and revenue of golf and leisure segment as set out above comprise rental income and other revenue from golf and leisure operations.*

(d) *The segment results of the property segment include increase in fair value of investment properties under development of HK$57,213,000 (six months ended 30th September, 2010: HK$102,554,000 and compensation income of HK$119,120,000 for land repossessed by the People's Republic of China (the "PRC") Government).*

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

4. NET LOSS ON FINANCIAL INSTRUMENTS

	Six months ended 30th September	
	2011	2010
	HK$'000	*HK$'000*
(Decrease) increase in fair values of investments held-for-trading	(51,014)	1,989
Dividend income on		
– available-for-sale investments	–	2,620
– investments held-for-trading	373	22
Gain on disposal of available-for-sale investments	–	109
Net gain (loss) on disposal of investments held-for-trading	284	(9,261)
Loss on repurchase of convertible bonds	(1,141)	(5,570)
	(51,498)	(10,091)

5. OTHER INCOME, GAINS AND LOSS

Included in other income, gains and loss is an amount of HK$13,344,000 relating to a loss on the remeasurement of assets held for sale in the current period. Details of assets classified held for sale are set out in note 17(a).

Included in other income, gains and loss for the six months ended 30th September, 2010 is an amount of HK$119,120,000 relating to a compensation income from the cancellation of the Agreement as defined below. In prior years, the Group had paid deposits and expenses for the acquisition of a piece of land in the Hengqin New Area (the "Land") of the PRC for a total cash consideration of RMB50,964,000 (equivalent to HK$52,250,000) under an agreement (the "Agreement") entered into among the owners of the Land and the Group.

On 16th September, 2010, the PRC Government issued an order to repossess the Land. Subsequently, the land use right certificates of the Land were returned to the relevant government authority.

According to the Agreement, if the PRC Government repossesses the Land that results in a failure to complete the acquisition (because the Land cannot be transferred to the Group), the Group shall be exclusively entitled to all relevant compensation payable from the PRC Government.

After taking into account all deposits and expenses incurred, the Group recognised compensation income from the cancellation of the Agreement of HK$119,120,000.

6. FINANCE COSTS

	Six months ended 30th September	
	2011	2010
	HK$'000	*HK$'000*
Effective interest on convertible note payables	41,340	53,593
Interest on bank and other borrowings wholly repayable within five years	3,823	4,926
Interest on obligations under finance leases	12	10
Total borrowing costs	45,175	58,529

7. TAXATION

	Six months ended 30th September	
	2011	2010
	HK$'000	*HK$'000*
		(Restated)
The tax (credit) expense comprises:		
PRC Enterprise Income Tax ("EIT")	–	18,779
Deferred tax credit	(741)	(342)
	(741)	18,437

No provision for Hong Kong Profits Tax, PRC EIT and income tax in other jurisdictions has been made in the condensed consolidated financial statements as the Group has no assessable profits for the current period.

Taxation arising in the PRC was recognised based on the estimated average annual tax rate of 10% for the six months ended 30th September, 2010.

8. (LOSS) PROFIT FOR THE PERIOD

	Six months ended 30th September	
	2011	2010
	HK$'000	*HK$'000*
(Loss) profit for the period has been arrived at after charging (crediting):		
Equity-settled share-based payments expenses	2,722	8,321
Depreciation of property, plant and equipment	1,671	7,087
Amortisation of premium on prepaid lease payments of leasehold land	–	1,369
Release of prepaid lease payments of leasehold land	–	266
Loss on disposal of property, plant and equipment	206	149
Bank interest income	(961)	(236)
Interest income on convertible bonds	–	(3,535)
Imputed interest on unsecured loan due from an associate	(1,689)	(1,422)
Other interest income *(Note)*	(30,785)	(7,048)

Note: Other interest income in the current interim period includes interest charged on the overdue balance of the consideration for the disposal of 65% of the equity interest in Paragon Winner Company Limited ("Paragon Winner"), from Million Cube Limited ("Million Cube"), an independent third party, amounting to HK$24,665,000 (for the six months ended 30th September 2010: Nil). Details of the transaction are set out in Note 17(a).

9. DIVIDENDS

No dividends were paid, declared or proposed during both periods.

The board of directors does not recommend the payment of an interim dividend in respect of the six months ended 30th September, 2011 (for the six months ended 30th September, 2010: Nil).

10. (LOSS) EARNINGS PER SHARE

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

	Six months ended 30th September 2011 *HK$'000*	2010 *HK$'000* (Restated)
(Loss) earnings:		
(Loss) earnings for the purpose of basic (loss) earnings per share		
– (loss) profit for the period attributable to owners of the Company	(89,165)	129,896
Effect of dilutive potential ordinary shares		
– interest on convertible note payables	–	10,351
(Loss) earnings for the purpose of diluted (loss) earnings per share	(89,165)	140,247
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	564,919,597	529,990,635
Effect of dilutive potential ordinary shares		
– convertible note payables	–	60,725,790
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	564,919,597	590,716,425

The calculation of diluted loss per share for the six months ended 30th September, 2011 has not assumed the conversion of convertible note payables and the exercise of the share options as these potential ordinary shares were anti-dilutive as the Group incurred a loss for the period.

The calculation of diluted earnings per share for the six months ended 30th September, 2010 has not assumed the exercise of the share options as the exercise price of those share options were higher than the average market price for the Company's shares during that period.

11. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK$4,859,000 (for the six months ended 30th September, 2010: HK$11,763,000) on acquisition of property, plant and equipment.

12. INVESTMENT PROPERTIES UNDER DEVELOPMENT

The valuations for the investment properties under development have been arrived on a basis of valuations carried out on that date by RHL Appraisal Limited, an independent professional valuer, adopting, as appropriate, the Market-based valuation approach in respect of investment properties under development represented by the land being demolished for development with carrying amount of HK$195,000,000 as at 30th September, 2011 (31st March, 2011: HK$185,000,000) which makes reference to sales evidence of comparable properties in different locations or in a different condition and the Residual Method in respect of the remaining investment properties under development which makes reference to expectations of market participants of the value of the property when complete, less deductions for the costs required to complete the project, including construction costs, finance costs, professional fees and developer's profit margin which duly reflects the risks associated with the development of the properties and appropriate adjustments for profit and risk. The Residual Method has assumed that the investment properties under development will be completed in accordance with the development proposals.

The resulting increase in fair value of investment properties under development of HK$57,213,000 has been recognised directly in profit or loss for the six months ended 30th September, 2011 (for the six months ended 30th September, 2010: HK$102,554,000).

13. INTERESTS IN ASSOCIATES/UNSECURED LOANS AND INTERESTS DUE FROM ASSOCIATES

	30.9.2011	**31.3.2011**
	HK$'000	*HK$'000*
Cost of investment in associates, unlisted	417,791	417,791
Share of post-acquisition losses, net of dividend received	(83,478)	(19,369)
	334,313	398,422
Loans and interests due from associates	861,236	1,219,859
Less: Loss and other comprehensive expense allocated in excess of cost of investment	(28,450)	(67,165)
	832,786	1,152,694
Analysed as:		
– Current	–	354,991
– Non-current	832,786	797,703
	832,786	1,152,694

The loans to associates are unsecured, have no fixed repayment terms and are non-interest bearing except for an amount of HK$204,164,000 (as at 31st March, 2011: HK$281,150,000) which carries interest at prime rate for Hong Kong dollars from time to time quoted by The Hongkong and Shanghai Banking Corporation Limited (the "Prime Rate") (as at 31st March, 2011: the Prime Rate) per annum. The effective interest rate on the interest-free amounts was 5% (as at 31st March, 2011: 5%) per annum. In the opinion of the directors, the amounts classified as non-current assets will not be repaid within twelve months from the end of the reporting period and are therefore classified as non-current asset.

The associates repaid an aggregated amount of HK$360,863,000 of the loan and interests to the Group during the current period, which were financed by the proceeds from pre-sale of property development project held by the associates. Hence, this amount has been classified as current as at 31st March, 2011.

14. OTHER LOAN RECEIVABLES

During the current period, the Group granted new loans, amounting to HK$87,870,000 to some listed companies in Hong Kong which are unsecured, carrying interest rate at the best lending rate quoted by The Hongkong and Shanghai Banking Corporation Limited plus 2% per annum and repayable within one year, and received repayment of HK$27,618,000.

15. DEBTORS, DEPOSITS AND PREPAYMENTS

The Group allows an average credit period of 90 days to its trade customers. The following is an analysis of trade debtors by age, presented based on the invoice date:

	30.9.2011	**31.3.2011**
	HK$'000	*HK$'000*
Trade debtors aged:		
0 – 60 days	10	1,188
61 – 90 days	–	351
Over 90 days	525	633
	535	2,172
Less: Trade debtors classified as part of a disposal group held for sale	–	(186)
	535	1,986
Refundable earnest monies *(Note a)*	151,586	145,605
Other debtors, deposits and prepayments	126,159	177,281
Other receivables *(Note b)*	8,579	34,199
	286,859	359,071

Notes:

(a) The refundable earnest monies represent monies paid for possible acquisitions of interests in properties located in the PRC, Macau and Vietnam, of which amounts of HK$96,736,000 (31st March, 2011: HK$90,754,000) paid by the Group for the negotiation of possible acquisition of ownership interest in properties located in the PRC were included.

(b) The compensation of HK$24,763,000 for repossession of land in the Hengqin New Area of the PRC as described in note 5 in other receivables as at 31st March, 2011 and had been settled in the current period.

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30.9.2011	31.3.2011
	HK$'000	*HK$'000*
Listed equity securities in:		
– Hong Kong	80,471	125,536
– Overseas	38,203	861
	118,674	126,397

All financial assets at fair value through profit or loss are investments in listed equity securities held for trading purposes and are stated at fair value. The fair values of listed securities are determined based on the bid prices quoted in active markets.

During the current period ended 30th September, 2011, the decrease in fair value of investment held-for-trading amounted to HK$51,014,000 (for the six months ended 30th September, 2010: increase in fair value HK$1,989,000).

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

(a) On 21st July, 2010, the Group entered into a conditional sale and purchase agreement with Million Cube, an independent third party, for the disposal of 65% of the equity interest in Paragon Winner, a wholly owned subsidiary of the Group which engages in the development and operation of hotel and golf resort, at a consideration of HK$746,269,000. The disposal had been approved by the shareholders at a special general meeting of the Company convened on 26th August, 2010.

On 16th May, 2011, the Group and Million Cube entered into a supplemental agreement to revise certain terms in the disposal agreement in relation to the payment schedule of remaining overdue balance of the consideration.

As of 30th September, 2011, Million Cube had paid an aggregate amount of HK$250,574,000 (net of interest) (31st March, 2011: HK$176,826,000) but failed to pay the remaining overdue balance of the consideration. Pursuant to the terms set out in the supplemental agreement, Million Cube shall pay interest on the overdue balance of the consideration to the Group. Accordingly, an interest income of HK$24,665,000 has been recognised in profit or loss in the current interim period.

The disposal group has been classified as held for sale for over one year and the disposal of 65% of the equity interest in Paragon Winner has not been completed. The sale plan is under re-negotiation between the Group and Million Cube as of the date of this report. Accordingly, the assets and liabilities attributable to Paragon Winner and its subsidiaries (the "Paragon Winner Group") are ceased to be classified as held for sale as at 30th September, 2011, and remeasured at their carrying amount before the disposal group was classified as held for sale, adjusted for depreciation and amortisation that would have been recognised had the disposal group not been classified as held for sale. The loss on remeasurement of HK$13,344,000 has been recognised in the condensed consolidated income statement for the six months ended 30th September, 2011.

(b) On 7th July, 2011, a subsidiary of the Company, entered into a conditional sale and purchase agreement with Greatward Limited, an independent third party, to dispose of 50% of its equity interest in Vastness Investment Limited ("Vastness"), a wholly owned subsidiary of the Company, for a consideration of HK$337,000,000. Vastness owns certain subsidiaries which are engaged in property development. As of 30th September, 2011, the Group had received deposits in relation to the disposal in aggregate of HK$250,000,000 (31st March, 2011: Nil). Accordingly, the assets and liabilities attributable to the disposal of Vastness and its subsidiaries (the "Vastness Group") that are expected to be sold within twelve months are classified as a disposal group held for sale and are separately presented in the condensed consolidated statement of financial position at 30th September, 2011.

The disposal was completed on 14th October, 2011. The remaining 50% equity interest of Vastness owned by a subsidiary of the Company will be classified as a jointly controlled entity. The sale proceeds exceed the net carrying amounts of the relevant assets and liabilities and, accordingly, no impairment loss has been recognised. The directors of the Company expect that gain on disposal of Vastness would be recognised in profit or loss at the effective date of disposal and is in the process of finalising the financial impact to the Group.

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

	The Vastness Group	**The Paragon Winner Group**
	Vastness	**Paragon Winner**
	30.9.2011	**31.3.2011**
	HK$'000	*HK$'000*
Properties held for sale	597,333	–
Property, plant and equipment	–	197,830
Prepaid lease payments of leasehold land	–	21,354
Premium on prepaid lease payments of leasehold land	–	107,681
Debtors, deposits and prepayments	3,748	1,107
Inventories	–	3,318
Bank balances and cash	–	11,776
Total assets classified as held for sale	601,081	343,066
Creditors, deposits and accrued charges	518	63,936
Bank borrowings	325,000	–
Deferred tax liabilities	–	26,921
Amount due to a non-controlling shareholder of a subsidiary	–	237
Tax payable	–	257
Total liabilities associated with assets classified as held for sale	325,518	91,351

18. CREDITORS, DEPOSITS AND ACCRUED CHARGES

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

	30.9.2011	**31.3.2011**
	HK$'000	*HK$'000*
Trade creditors aged:		
0 – 60 days	846	1,289
61 – 90 days	328	520
Over 90 days	581	916
	1,755	2,725
Less: Trade creditors classified as part of a disposal group held for sale	–	(1,399)
	1,755	1,326
Other creditors, deposits and accrued charges	109,416	60,902
Earnest monies received *(Note)*	126,419	89,969
	237,590	152,197

Note: *During the period ended 30th September, 2011, the Group received additional earnest monies of HK$36,450,000 in relation to a possible disposal of an associate.*

19. CONVERTIBLE NOTE PAYABLES

(a) On 15th June, 2006, the Company issued HK$1,000 million unsecured 1% convertible notes due 2011 ("2011 CN"). The adjusted conversion price as at 31st March, 2011 was HK$5.675 per ordinary share. 2011 CN bore interest at 1% per annum and matured on 15th June, 2011. The holders of the convertible note payables had the right to convert the principal amount of 2011 CN into shares of HK$0.01 each of the Company at any time during the period from 15th June, 2006 and up to and including the date which was 7 days prior to 15th June, 2011.

In the prior years, principal amount of HK$94 million of 2011 CN was converted into 134,285,714 ordinary shares of HK$0.01 each in the share capital of the Company at the initial conversion price of HK$0.70 per original share. As at 31st March, 2010, HK$906 million of 2011 CN was outstanding.

(b) On 25th May, 2011, the Company issued 3.25% convertible notes falling due 30 months after the date of issue in an aggregate principal amount of HK$589,050,000, with an initial conversion price of HK$2.20 per share ("CN Nov 2013") to certain holders of 2011 CN who have accepted the Company's offer to repurchase 2011 CN. 2011 CN repurchased have an aggregate amount of 110% of the principal amount of HK$535,500,000 (the "Repurchase"). The holders of CN Nov 2013 have the right to convert the principal amount of CN Nov 2013 into shares of the Company at an initial conversion price of HK$2.20 per share during the period from 9th June, 2011 up to and including the date which is 15 days prior to 25th November, 2013.

For the holders who did not accept the Company's offer to repurchase 2011 CN, outstanding 2011 CN with aggregate principal amount of HK$370,500,000 were fully redeemed at 110% of principal amount on the maturity date.

The effect of the Repurchase represents an extinguishment of liability component of 2011 CN having a carrying amount of HK$586,369,000 and recognition of CN Nov 2013 having a fair value of HK$587,510,000 comprising liability component of HK$471,530,000 and equity component of HK$115,980,000.

Unless previously converted, the Company will redeem CN Nov 2013 on the maturity date at the redemption amount of 105% of the principal amount of the convertible note payables then outstanding.

(c) On 10th June, 2011, the Company placed HK$30 million unsecured 3.25% convertible notes due 2013 ("CN Dec 2013"). The holders of CN Dec 2013 have the right to convert the principal amount of CN Dec 2013 into shares of the Company at an initial conversion price of HK$2.20 per share during the period from 25th June, 2011 up to and including the date which is 15 days prior to 10th December, 2013.

Unless previously converted, the Company will redeem CN Dec 2013 on the maturity date at the redemption amount of 105% of the principal amount of the convertible note payables then outstanding.

The movement of the liability components for the period is set out below:

	2011 CN	CN Nov 2013	CN Dec 2013	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 31st March, 2011	987,598	–	–	987,598
Issue of notes	–	471,530	23,780	495,310
Effective interest charged	15,073	25,122	1,145	41,340
Coupon interest paid/payable	(8,752)	(6,748)	(301)	(15,801)
Repurchase of notes	(586,369)	–	–	(586,369)
Redemption of notes	(407,550)	–	–	(407,550)
At 30th September, 2011	–	489,904	24,624	514,528

20. BANK BORROWINGS

During the period, the Group obtained new bank and other borrowings amounting to HK$416,000,000. The new and other borrowings carry interest at variable market rates ranging from 1.94% to 7.00% (for the six months ended 30th September, 2010: 2.09% to 7.00%) per annum and are repayable on demand or maturity in 2013. The Group repaid bank and other borrowings of HK$316,000,000 during the current period (for the six months ended 30th September, 2010: HK$22,293,000).

21. SHARE CAPITAL

	Number of shares	Amount
		HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1st April, 2011 and 30th September, 2011	40,000,000,000	400,000
Issued and fully paid:		
At 1st April, 2011 and 30th September, 2011	564,919,597	5,649

22. CAPITAL AND OTHER COMMITMENTS

	30.9.2011	31.3.2011
	HK$'000	*HK$'000*
Capital expenditure in respect of the acquisition of property, plant and equipment and construction of investment properties underdevelopment contracted for but not provided in the consolidated financial statements	24,900	32,439
Other commitments:		
– acquisition of subsidiaries *(Note a)*	733,960	597,809
– injection of total investment of an associate *(Note b)*	54,811	53,066
– loan to a jointly controlled entity	30,000	–
– loan to an associate	–	15,000
– construction of properties held for sale	9,520	5,455
	828,291	671,330
	853,191	703,769

Notes:

(a) (i) On 15th December, 2009, a subsidiary of the Company entered into two sale and purchase agreements (the "Agreements") with Cango Trading Limited and Bright Sino Profits Limited ("BSP") to acquire 100% equity interest in Newskill Investments Limited ("Newskill") and the shareholder's loan owing by Newskill and its subsidiary (hereinafter collectively referred to as the "Newskill Group") for a consideration of an aggregate amount of HK$960 million. Newskill is an investment holding company and has interest in a joint venture which possesses a piece of land situated in the PRC. As of 30th September, 2011 and 31st March, 2011, deposits amounting to HK$362,191,000 had been paid by the Group to BSP. Details of the acquisition were set out in a circular of the Company dated 31st May, 2010. As stated in the circular, Mr. Tang Chi Ming, the sole shareholder of BSP, is the executive director of Trasy Gold Ex Limited (a company whose shares are listed on the Growth Enterprise Market of the Stock Exchange) and a merchant with investments in properties, and in the opinion of the directors of the Company, the credit risk is not significant and the amounts can be fully recovered. The transaction is pending for fulfilment of conditions precedent in the Agreements. Up to the date of this report, the transaction is not yet completed.

(ii) On 9th September, 2011, an indirect wholly-owned subsidiary of the Company entered into a conditional sale and purchase agreement with Hero's Way Resources Ltd. ("Hero's Way"), a wholly-owned subsidiary of ITC Corporation Limited, to acquire 100% equity interest of Top Precise Investments Limited ("Top Precise"), and the shareholder's loan owing by Top Precise and its subsidiary (hereinafter collectively referred as the "Top Precise Group") for a consideration of an aggregate amount of HK$313 million plus the net tangible asset value at completion subject to adjustment. As of 30th September, 2011, the consideration is HK$196.2 million and deposits amounting to HK$60 million had been paid by the Group.

The Company acquired the assets through the acquisition of Top Precise, which is an investment holding company and owns the entire equity interest in Great Intelligence Limited, which owns a premise and car parking spaces in Hong Kong. Details of the acquisition were set out in the announcement of the Company dated 9th September, 2011. The transaction was completed on 16th November, 2011 and the directors of the Company are in the process of assessing the financial impact to the Group.

(b) *On 5th November, 2009, a subsidiary of the Company entered into an agreement with Guizhou Hong Neng Hot Spring Resort Tourism Development Company Limited ("Hong Neng"), an independent third party, for the formation of an associate, which would be principally engaged in the development and management of a hot spring and resort project in Guiyang, the PRC. On 6th January, 2010, the Group and Hong Neng entered into a memorandum in relation to the proposed increase of the total investment in the associate to RMB500 million. The increase in the total investment is to be contributed in cash by the Group and Hong Neng, in proportion to their respective equity interests of 45% and 55% in the associate. As of 30th September, 2011, an aggregate amount of RMB180 million had been contributed by the Group as investments in associates. Details of the acquisition were set out in a circular of the Company dated 25th January, 2010.*

23. MAJOR NON-CASH TRANSACTION

During the period, the Group had issued CN Nov 2013 with fair value of liability and conversion option components amounted to HK$587,510,000 to repurchase 2011 CN with a carrying amount of HK$586,369,000 at the date of Repurchase.

24. RELATED PARTY DISCLOSURES

(i) Compensation of key management personnel:

The remunerations of directors in respect of the current period are as follows:

	Six months ended 30th September	
	2011	**2010**
	HK$'000	*HK$'000*
Short-term benefits	4,366	5,165
Share-based payments	1,672	5,377
	6,038	10,542

The remunerations of directors were determined by the remuneration committee having regard to the performance of individuals and market trends.

(ii) Related party transactions:

During the period, the Group had the following transactions with related parties:

Related parties	*Note*	Nature of transactions	Six months ended 30th September 2011 *HK$'000*	2010 *HK$'000*
Associates:				
Macau Properties Holdings Limited		Rental income	367	270
Orient Town Project Management Limited		Management fee income	60	60
Business Action Holdings Limited		Interest income	1,689	1,422
Other related companies:				
Great Intelligence Limited ("Great Intelligence")	*(a)*	Rental and related building management fee expense	1,577	1,577

Note:

(a) Great Intelligence is a wholly-owned subsidiary of ITC Corporation Limited during the period. The Company is an associate of ITC Corporation Limited.

25. EVENT AFTER THE REPORTING PERIOD

Details of significant event after the reporting period are set out in notes 17(b) and 22(a)(ii).

4. INDEBTEDNESS

At the close of business on 31st October, 2011, being the latest practicable date for the purpose of preparing this indebtedness statement, the Group had secured bank borrowings of approximately HK$175.0 million. In addition, the Group had outstanding as at that date obligations under finance leases of approximately HK$0.2 million and amount due to a non-controlling shareholder of a subsidiary of the Company of approximately HK$0.3 million.

As at the same date, the Group also had the following outstanding convertible notes:

	Conversion price	Principal amount	Carrying amount of debt component as at 31st October, 2011
	HK$	*HK$'000*	*HK$'000*
Convertible notes issued on:			
– 25th May, 2011	2.20	589,050	494,320
– 10th June, 2011	2.20	30,000	24,855
		619,050	519,175

The Group's bank borrowings and credit facilities from financial institutions were secured by legal charges over the following assets of the Group:

(i) investment properties under development with a carrying value of HK$605.0 million; and

(ii) property, plant and equipment with a net book value of HK$0.2 million.

Saved as aforesaid or otherwise disclosed herein, and apart from intra-group liabilities, the Group did not have outstanding as at the close of business on 31st October, 2011 any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans, debt securities or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, finance leases or hire purchases commitments, guarantees or other material contingent liabilities.

5. MATERIAL CHANGE

(i) As disclosed in the interim report of the Company for the six months ended 30th September, 2011, which is reproduced on pages II-82 to II-104 of this Offer Document, the Group recorded unaudited turnover of HK$96.7 million for the six months ended 30th September, 2011 versus HK$166.5 million for the six months ended 30th September, 2010, and unaudited loss attributable to owners of the Company for the six months ended 30th September, 2011 of approximately HK$89.2 million, versus profit of approximately HK$129.9 million for the corresponding period in 2010. The less satisfactory results of the Group for the six months ended 30th September, 2011 were mainly attributable to:

(a) the fewer sales of properties and activities in securities trading during the period as compared with the same period last year;

(b) the lesser amount of increase in fair value of investment properties of the Group for the period as compared with the same period last year;

(c) the net loss on financial instruments of HK$51.5 million, of which an amount of HK$51.0 million represented an unrealised loss due to drop in market price as at 30th September, 2011 as a result of the general downturn of the equity market caused by the European sovereign debt crisis and concerns over the world's sluggish recovery of economy; and

(d) the compensation income of approximately HK$119.1 million arising from the cancellation of acquisition of land use rights at Hengqin, Zhuhai recorded during the six months ended 30th September, 2010 which was a non-recurring item. Other income recognised by the Group during the six months ended 30th September, 2011 was mainly attributable to an interest income arising from failure of paying overdue balance of the consideration by the purchaser in respect of the disposal of 65% equity interest in Paragon Winner Company Limited ("**Paragon Winner**") which only amounted to approximately HK$24.7 million;

(ii) the Company proposed an offer on 21st February, 2011 to repurchase the 1% convertible notes which were due on 15th June, 2011 (the "**2011 CBs**") with an aggregate outstanding principal amount of HK$906.0 million by issuing the 2013 CBs. The 2013 CBs in an aggregate principal amount of HK$589.05 million were issued on 25th May, 2011 to the holders who accepted the abovementioned repurchase offer and the 2013 CBs in an aggregate principal amount of HK$30.0 million were further issued to certain independent subscribers by way of a placing completed on 10th June, 2011. The Group has utilised the proceeds from the placing of the 2013 CBs and its internal resources in an aggregate amount of HK$411.0 million for the redemption of the 2011 CBs (including all outstanding principal, redemption premium and accrued interest) for which the abovementioned repurchase offer had not been accepted;

(iii) Empresa De Fomento Industrial E Comercial Concórdia, S.A. ("**Concordia**"), an associate of the Company in which the Company has 35.5% effective interest, presold the first and the second phases of its property development project in Cotai South, Macau, named "One Oasis" in April 2010 and March 2011 respectively. Subsequently, Concordia repatriated an amount of HK$355.0 million to the Group as interest and partial loan repayment during the six months ended 30th September, 2011 and as full settlement of the unsecured loans and interest due from associates as recorded under current assets as at 31st March, 2011;

(iv) as disclosed in item (n) in the paragraph headed "Material contracts" in Appendix VI to this Offer Document, a subsidiary of the Company entered into a conditional sale and purchase agreement with Greatward Limited, an independent third party, on 7th July, 2011 to dispose of 50% of its equity interest in Vastness Investment Limited ("**Vastness**"), a wholly-owned subsidiary of the Company, at an aggregate consideration of HK$337.0 million. Vastness owns certain subsidiaries which are engaged in property development. As of 30th September, 2011, the Group had received deposits in relation to the disposal in an aggregate amount of HK$250.0 million. Accordingly, assets amounted to approximately HK$601.1 million mainly comprised properties held for sale as at 31st March, 2011, and liabilities amounted to approximately HK$325.5 million, attributable to the disposal of Vastness and its subsidiaries (the "**Vastness Group**") that are expected to be sold within twelve months are classified as a disposal group held for sale and are separately presented in the unaudited condensed consolidated statement of financial position at 30th September, 2011.

The disposal was completed on 14th October, 2011. As the sale proceeds exceeded the net carrying amounts of the relevant assets and liabilities, the Group (i) realised an unaudited gain on disposal of approximately HK$172.0 million and recorded an unaudited unrealised gain from change in fair value in the Group's remaining 50% interest in the Vastness Group (the "**Remaining Interest**") of approximately HK$172.0 million on the completion date, which is calculated based on the assumption that the fair value of the Remaining Interest is the same as that 50% interest in Vastness disposed of; and (ii) recorded a decrease of the bank borrowings of the Group by HK$325.0 million.

Upon completion of the disposal, the Remaining Interest had been classified as interest in a jointly controlled entity with a carrying amount of approximately HK$166.2 million. The Group had also recorded a loan to Vastness amounted to approximately HK$145.0 million upon completion;

(v) as disclosed in item (o) in the paragraph headed "Material contracts" in Appendix VI to this Offer Document, an indirect wholly-owned subsidiary of the Company entered into a conditional sale and purchase agreement with Hero's Way Resources Ltd. ("**Hero's Way**"), a wholly-owned subsidiary of ITC, on 9th September, 2011 to acquire 100% equity interest of Top Precise Investments Limited ("**Top Precise**"), and the shareholder's loan owing by Top Precise and its subsidiary (the "**Top Precise Group**") at an aggregate consideration of HK$313.0 million plus the net tangible asset value (the "**NTAV**") at completion (subject to adjustments). As of 30th September, 2011, the consideration was estimated at HK$196.2 million and a deposit amounting to HK$60.0 million had been paid by the Group.

The acquisition was completed on 16th November, 2011. The NTAV of the Top Precise Group was of a negative amount of approximately HK$97.3 million as at the date of completion. Pursuant to the sale and purchase agreement, the remaining balance of the consideration of HK$155.7 million was paid as to approximately HK$55.7 million in cash and as to HK$100.0 million by way of a loan note issued by the Group.

Upon completion, Top Precise became an indirect wholly-owned subsidiary of the Company. Property, plant and equipment amounted to approximately HK$233.3 million, investment properties amounted to approximately HK$79.7 million and bank loan amounted to approximately HK$97.5 million held by the Top Precise Group as at completion had been consolidated into the accounts of the Group;

(vi) as disclosed in item (i) in the paragraph headed "Material contracts" in Appendix VI to this Offer Document, Everight Investment Limited ("**Everight**"), an indirect wholly-owned subsidiary of the Company, entered into a conditional sale and purchase agreement (as supplemented by a supplemental agreement dated 16th May, 2011) with Million Cube Limited ("**Million Cube**"), an independent third party, on 21st July, 2010 for the disposal of 65% of the issued share capital of Paragon Winner and 65% of Everight's loan to Paragon Winner and its subsidiaries (the "**Disposal Group**") at an aggregate consideration of approximately HK$746.3 million. Since Million Cube failed to settle the consideration according to the terms of the agreement and as disclosed in (i)(d) above, the Group charged Million Cube overdue interest of HK$24.7 million during the six months ended 30th September, 2011. On 5th December, 2011, Everight and Million Cube entered into a memorandum of understanding (the "**MOU**") and agreed to re-schedule the payment dates and completion timetable for the transaction and possible amendment to the percentage of shareholding in and shareholder's loan to Paragon Winner to be acquired by Million Cube (depending on the amount received by Everight from Million Cube by 30th December, 2011). Details of the MOU were disclosed in item (p) in the paragraph headed "Material contracts" in Appendix VI to this Offer Document and in the announcement of the Company dated 5th December, 2011.

As at the Latest Practicable Date, Million Cube has not fully settled the outstanding amount of the consideration in accordance with the MOU. Accordingly, completion of the aforesaid transaction will not take place on 6th January, 2012 as contemplated in the MOU. As disclosed in the announcement of the Company dated 5th December, 2011, Everight and Million Cube shall negotiate in good faith possible amendments to the original terms of the sale and purchase agreement. Nevertheless, Everight and Million Cube are not obliged to proceed with the amendments and the rights of Everight to terminate the original sale and purchase agreement including the right to forfeit payments made by Million Cube prior to the MOU shall not be affected notwithstanding any intervening negotiations on the amendments.

The Disposal Group had previously been classified as held for sale as at 31st March, 2011. However, as the disposal of 65% of the equity interest in Paragon Winner had not been completed, the assets and liabilities attributable to the Disposal Group ceased to be classified as held for sale as at 30th September, 2011, and were remeasured at their carrying amounts before the Disposal Group was classified as held for sale, adjusted for depreciation and amortisation that would have been recognised had the Disposal Group not been classified as held for sale. The loss on remeasurement of approximately HK$13.3 million had been recognised in the unaudited condensed consolidated income statement for the six months ended 30th September, 2011; and

(vii) as disclosed in item (q) in the paragraph headed "Material contracts" in Appendix VI to this Offer Document, ITC Properties Investment (China) Limited, an indirect wholly-owned subsidiary of the Company, and Giant Soar Limited entered into a sale and purchase agreement on 13th December, 2011 in relation to the disposal of the entire equity interest in and the shareholder's loan to Linktop Limited at an aggregate consideration of RMB230.0 million (equivalent to approximately HK$279.6 million), of which an aggregate of RMB85.0 million (equivalent to approximately HK$101.5 million) had been paid as deposit by Giant Soar Limited. An unaudited capital gain of approximately HK$81.3 million is expected to arise from the disposal upon completion. As at the Latest Practicable Date, completion of the disposal had not taken place.

Save as disclosed above, the Directors confirm that there is no material change in the financial or trading position or outlook of the Group since 31st March, 2011, being the date to which the latest published audited consolidated financial statements of the Group were made up and up to the Latest Practicable Date.

6. FINANCIAL AND TRADING PROSPECTS

Following completion of the Offer, the 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 in the PRC, securities investments and the provision of loan financing services. The global economy remains vulnerable given the lagging pace in the United States and Europe's recovery from the "Global Financial Crisis". With less demand of merchandises from the United States and Europe and after the imposition of various measures to contain asset prices, the economic momentum in the PRC also slows down though there is still some continued growth in its economy.

Macau continues to be one of the fastest growing economies in the region with 22.9% growth in gross domestic product for the first half of 2011 and with low unemployment rate at 2.6% as driven by the resilient gaming and tourists sectors. The Group, through its 35.5% interest in a residential property development project, namely "One Oasis" in Cotai South, plans to capture the opportunity brought along by the expected increase in household income and intensified demand for quality homes by launching the presale of remaining phases of residential towers at One Oasis in appropriate time.

The Group expects its re-development projects in Hong Kong, including the residential and hotel project in Causeway Bay as well as a project involving high-end (diamond, gold, jewelry watches and luxury goods) retail complex on Nathan Road, Kowloon, will contribute an encouraging return after their completion.

Barring unforeseen circumstances, the Group is confident in capturing future gains from its investment portfolio.

7. RECONCILIATION STATEMENT OF PROPERTY ASSETS OF THE GROUP

Set out below is the reconciliation of (i) the net book value of the Group's property assets included in the unaudited consolidated statement of financial position as at 30th September, 2011; (ii) the net book value of the Group's property assets included in the unaudited consolidated management accounts of the Group as at 31st October, 2011; and (iii) the fair value of the Group's property assets as at 31st October, 2011 as stated in the property valuation report in Appendix IV to this Offer Document.

	Property	(i) Net book value included in the unaudited consolidated statement of financial position of the Group as at 30th September, 2011	Additions for October 2011	Disposal for October 2011	Depreciation/ amortisation charge for October 2011	Decrease in fair value of investment properties under development	(ii) Net book value included in the unaudited consolidated management accounts of the Group as at 31st October, 2011	Valuation difference for property interests (other than investment properties under development)	(iii) Fair value as at 31st October, 2011 as shown in the valuation report as set out in Appendix IV to this Offer Document
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
1	Car Parking Space Nos. 4007/4111, 46068, 4067 and 4076 on 4/F Bank of America Tower, 12 Harcourt Road, Central, Hong Kong	3,992	–	–	(15)	–	3,977	823	4,800
2	Nos. 703 and 705 Nathan Road, Kowloon, Hong Kong	410,000	289	–	–	(289)	410,000	–	410,000
3	No. 7 Moreton Terrace, Hong Kong	195,000	658	–	–	(658)	195,000	–	195,000
4	6 units of Talon Tower No. 38 Connaught Road West, Hong Kong	18,912	–	(2,173)	–	–	16,739	38,261	55,000
5	Sanya Yalong Bay Sun Valley Golf Club, Bohou Village Yalong Bay National Resort Area, Sanya City								
	– Property	187,756	92	–	(518)	–	187,330	(187,330)	
	– Prepaid lease payments of leasehold land	21,441	–	–	(47)	–	21,394	(21,394)	
	– Premium on prepaid lease payments of leasehold land	104,716	–	–	(228)	–	104,488	(104,488)	
		313,913	92	–	(793)	–	313,212	(313,212)	No commercial value
	Total	941,817	1,039	(2,173)	(808)	(947)	938,928	(274,128)	664,800

1. UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following unaudited pro forma financial information of ITC Properties Group Limited (the "**Company**") and its subsidiaries (the "**Group**") has been prepared in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of illustrating the effect of the conditional voluntary offer to repurchase up to 260,000,000 shares of the Company at a price of HK$2.60 per share, of which HK$0.60 per share will be satisfied by cash payment and the remaining balance of HK$2.00 per share will be satisfied by the Company issuing the Loan Notes (the "**Share Repurchase**") on (a) the unaudited pro forma earnings per share of the Group for the year ended 31st March, 2011 as if the Share Repurchase had been completed on 1st April, 2010 and (b) the unaudited pro forma consolidated net assets/net tangible assets of the Group as if the Share Repurchase had been completed on 30th September, 2011, after taking into account certain assumptions.

The unaudited pro forma financial information has been prepared for illustration purpose only, and because of its nature, it may not give a true picture of the earnings per share for the year ended 31st March, 2011 or any future period and the financial position of the Group following the Share Repurchase or at any future date.

A. Unaudited Pro Forma Earnings per Share

	Audited consolidated profit attributable to owners of the Company for the year ended 31st March, 2011		Pro forma adjustment		Unaudited pro forma consolidated profit attributable to owners of the Company for the year ended 31st March, 2011	Unaudited pro forma basic and diluted earnings per share for the year ended 31st March, 2011	
	HK$'000	*(i)*	*HK$'000*		*HK$'000*	*HK$*	
Assuming full acceptance of the Share Repurchase by the Qualifying Shareholders	80,455	*(ii)*	(59,730)	*(iii)*	20,725	0.07	*(iv)*

B. Unaudited Pro Forma Net Assets/Net Tangible Assets

The unaudited pro forma net assets/net tangible assets of the Group is prepared based on the unaudited consolidated net assets of the Group as at 30th September, 2011, as extracted from the published interim report of the Group as set out in Appendix II to this Offer Document and the adjustment described below.

Unaudited Pro Forma Net Assets

	Unaudited consolidated net assets of the Group attributable to owners of the Company as at 30th September, 2011		Pro forma adjustment		Adjusted unaudited pro forma consolidated net assets of the Group attributable to owners of the Company after the Share Repurchase	
	HK$'000		*HK$'000*		*HK$'000*	
Assuming full acceptance of the Share Repurchase by the Qualifying Shareholders	2,413,308	*(v) and (vii)*	(581,704)	*(vi)*	1,831,604	*(viii)*

Unaudited Pro Forma Net Tangible Assets

	Unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30th September, 2011		Pro forma adjustment		Adjusted unaudited pro forma consolidated net tangible assets of the Group attributable to owners of the Company after the Share Repurchase	
	HK$'000		*HK$'000*		*HK$'000*	
Assuming full acceptance of the Share Repurchase by the Qualifying Shareholders	2,308,592	*(v) and (vii)*	(581,704)	*(vi)*	1,726,888	*(viii)*

Notes:

i. *The audited consolidated profit attributable to owners of the Company for the year ended 31st March, 2011 has been extracted from Appendix II to this Offer Document.*

ii. | | |
---|---|
Basic and diluted earnings per share for the year ended 31st March, 2011 before the Share Repurchase (based on weighted average number of shares of 547,407,268 for the year ended 31st March, 2011) | *HK$0.15#* |

\# *The calculation of diluted earnings per share has not assumed the exercise of the share options and warrants because the exercise prices of these instruments were higher than the average market price for the Company's shares during the year ended 31st March, 2011, nor assumed the conversion of convertible notes because their exercises would result in an increase in earnings per share.*

iii. | | |
---|---|
Pro forma adjustment: | *HK$'000* |
*– Effective interest expenses on the Loan Notes ** | *59,730* |

* *The adjustment represents the impact of effective interest expenses in relation to the Loan Notes to be issued as part of the consideration for the Share Repurchase, assuming the Share Repurchase had been completed and the Loan Notes had been issued on 1st April, 2010. The fair value of the Loan Notes as at 31st October, 2011, the latest practicable date for the valuation of the Loan Notes, has been determined to be HK$421,704,000 with an effective interest rate of 14.2% per annum, according to a valuation performed by an independent professional valuer. The valuation report of the Loan Notes is set out in Appendix V to this Offer Document. For the purpose of preparing the unaudited pro forma financial information, the fair value and the corresponding basis of calculating the fair value of the Loan Notes as at 1st April, 2010 and 30th September, 2011 are assumed to be the same as that as at 31st October, 2011. The interest expenses would have continuing effect on the Company during the term of the Loan Notes.*

iv. | | |
---|---|
Unaudited pro forma basic and diluted earnings per share for the year ended 31st March, 2011, assuming the Share Repurchase had been completed on 1st April, 2010 (based on pro forma weighted average number of shares of 287,407,268) | *HK$0.07#* |

\# *The calculation of diluted earnings per share has not assumed the exercise of the share options and warrants because the exercise prices of these instruments were higher than the average market price for the Company's shares during the year ended 31st March, 2011, nor assumed the conversion of convertible notes because their exercises would result in an increase in earnings per share.*

v. *The unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30th September, 2011 was determined as follows:*

	HK$'000
Unaudited consolidated net assets of the Group attributable to owners of the Company as set out in Appendix II to this Offer Document	*2,413,308*
*Less: Premium on prepaid lease payments of leasehold land attributable to owners of the Company as at 30th September, 2011**	*(104,716)*
Unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30th September, 2011	*2,308,592*

* *The adjustment represents the premium on acquisition of prepaid lease payments for the rights to use land situated in the PRC on medium-term lease as a result of acquisition of subsidiaries in previous years. As it is intangible in nature, the amount is excluded from the unaudited consolidated net assets of the Group attributable to owners of the Company as at 30th September, 2011 in determining the unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30th September, 2011.*

		HK$'000
vi.	*Consideration of the Share Repurchase is assumed to be satisfied by:*	
	– Cash (based on the repurchase of 260,000,000 shares at a price of HK$0.60 per share)	*156,000*
	– Loan Notes (note iii)	*421,704*
	Total consideration	*577,704*
	*Add: estimated related expenses**	*4,000*
	Total estimated cost of the Share Repurchase, which would have continuing effect on the Company	*581,704*

* *The estimated related expenses include financial advisory fee, other professional fee and legal fee, which are directly attributable to the Share Repurchase.*

		HK$'000
vii.	*Unaudited consolidated net assets of the Group per share attributable to owners of the Company (based on 564,919,597 shares in issue as at 30th September, 2011) before the Share Repurchase*	*HK$4.27*
	Unaudited consolidated net tangible assets of the Group per share attributable to owners of the Company (based on 564,919,597 shares in issue as at 30th September, 2011) before the Share Repurchase	*HK$4.09*
viii.	*Adjusted unaudited pro forma consolidated net assets of the Group per share attributable to owners of the Company after the Share Repurchase (based on 304,919,597 shares in issue as at 30th September, 2011 and assuming full acceptance of the Share Repurchase by the Qualifying Shareholders)*	*HK$6.01*
	Adjusted unaudited pro forma consolidated net tangible assets of the Group per share attributable to owners of the Company after the Share Repurchase (based on 304,919,597 shares in issue as at 30th September, 2011 and assuming full acceptance of the Share Repurchase by the Qualifying Shareholders)	*HK$5.66*

2. ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

Deloitte.
德勤

TO THE DIRECTORS OF ITC PROPERTIES GROUP LIMITED

We report on the unaudited pro forma financial information of ITC Properties Group Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**"), set out in Part 1 of Appendix III to the offer document of the Company dated 3rd January, 2012 (the "**Offer Document**"), in connection with the conditional voluntary offer to repurchase up to 260,000,000 shares of the Company at a price of HK$2.60 per share, of which HK$0.60 per share will be satisfied by cash payment and the remaining balance HK$2.00 per share will be satisfied by the Company issuing the Loan Notes (the "**Share Repurchase**"), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the Share Repurchase might have affected the financial information presented, for inclusion in Appendix III to the Offer Document. The basis of preparation of the unaudited pro forma financial information is set out in the accompanying introduction and notes to the Unaudited Pro Forma Financial Information included in Part 1 of Appendix III to the Offer Document.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants.

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The unaudited pro forma financial information is for illustrative purpose only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in future and may not be indicative of:

- the financial position of the Group as at 30th September, 2011 or any future date; or
- the earnings per share of the Group for the year ended 31st March, 2011 or any future period.

Opinion

In our opinion:

a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;

b) such basis is consistent with the accounting policies of the Group; and

c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong, 3rd January, 2012

The following is the full text of a letter and valuation certificate prepared for the purpose of inclusion in this Offer Document received from RHL Appraisal Limited, an independent property valuer, in connection with its valuation as at 31st October, 2011 on the property interests held by the Group.

永利行評值顧問有限公司
RHL Appraisal Limited
Corporate Valuation & Advisory

T +852 2730 6212
F +852 2736 9284

Room 1010, 10/F, Star House
Tsimshatsui, Hong Kong

3rd January, 2012

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

Dear Sirs,

INSTRUCTIONS

We were instructed by ITC Properties Group Limited (referred to as the "**Company**") to value the property interests held by the Company and its subsidiaries (hereinafter together referred to as the "**Group**") located in Hong Kong and the People's Republic of China (the "**PRC**"), we confirm that we have carried out property inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion on the market values of the property interests as at 31st October, 2011 (the "**Valuation Date**").

This letter which forms part of our valuation report explains the basis and methodology of valuation, clarifying assumptions, valuation considerations and limiting conditions of this valuation.

BASIS OF VALUATION

Our valuation of the property interests represents their market values which we would define as intended to mean "the estimated amount for which a property should exchange on the Valuation Date 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".

The market value is the best price reasonably obtainable in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, joint ventures, management agreements, special considerations or concessions granted by anyone associated with the sale, or any element of special value. The market value of the property interest is also estimated without regard to costs of sale and purchase, and without offset for any associated taxes.

VALUATION METHODOLOGY

In valuing the property interests in Groups I and III, which are held by the Group for owner-occupation and for investment in Hong Kong, we have valued the property interests by using the Direct Comparison Approach by making reference to the comparable market transactions as available and where appropriate, on the basis of capitalization of the net income shown on the documents handed to us. We have allowed for outgoings and, in appropriate case, made provisions for reversionary income potential.

In respect of the property interests in Group II, which are held by the Group for future development in Hong Kong, we have valued such property interests on the basis that they will be developed and completed in accordance with the Group's latest development proposals provided to us. We have assumed that all consents, approvals and licenses from relevant government authorities for these proposals have been obtained without onerous conditions or delays. In arriving at our opinion of gross development values, we have adopted the Direct Comparison Approach by making reference to the comparable sales transactions as available in the relevant market and have also taken into account the construction costs that will be expended to complete the development to reflect the quality of the completed development.

VALUATION CONSIDERATIONS

In valuing the property interests, we have complied with all the requirements contained in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; Rule 11 of the Hong Kong Code on Takeovers and Mergers issued by Securities and Futures Commission and the HKIS Valuation Standards on Properties (First Edition 2005) published by the Hong Kong Institute of Surveyors effective from 1st January, 2005.

VALUATION ASSUMPTIONS

In our valuation, we have assumed that the properties have been constructed, occupied and used in full compliance with, and without contravention of the Laws of Hong Kong, except only where otherwise stated. We have further assumed that, for any use of the property upon which this report is based, all required licenses, permit, certificated, and authorizations have been obtained.

Other special assumptions of the property interests, if any, have been stated out in the footnotes of the valuation certificates attached herewith.

TITLE INVESTIGATION

We have been provided with documents relating to the title of properties located in the PRC and caused searches made in the Land Registry for Hong Kong properties. We have not examined the original documents to verify the existing title to the properties in the PRC and any material encumbrances that might be attached to such property interests or any lease amendments. However, we have relied considerably on the advices given by the Company's PRC legal advisers, Guangdong Code Law Office (廣東科德律師事務所), on the Group's title to these properties.

LIMITING CONDITIONS

We have inspected the exterior and, where possible, the interior of the properties. However, no structural survey has been made, in the course of our inspection, we did not note any serious defects. We are not, however, able to report whether the property interests are free of rot, infestation or any other structural defects. No tests were carried out on any of the services. Moreover, we have not carried out investigations on site to determine the suitability of the ground conditions and the services etc., for any future development. Our valuation is prepared on the assumption that these aspects are satisfactory and no extraordinary expenses or delay will be incurred during the development period.

We have not carried out detailed site measurements to verify the correctness of the site areas in respect of the properties but have assumed that the site areas shown on the documents are correct. All documents have been used as reference only and all dimensions, measurements and areas are approximations.

We have relied to a considerable extent on information provided by the Company and accepted advices given to us on such matters, in particular, but not limited to tenure, planning approvals, statutory notices, easements, particulars of occupancy, floor areas and all other relevant matters in the identification of the properties.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We have also been advised by the Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

No allowance has been made in our report for any charges, mortgages or amounts owing on the property interests valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

A potential tax liability which would arise as a result of a disposal of the property interests held by the Group mainly includes stamp duty (ranging from HK$100 to 4.25%) for properties in Hong Kong; and business tax (5%), stamp duty (0.05%), land appreciation tax (ranging from 30% to 60%) and corporate income tax (25%) for properties in the PRC. As advised by the Company, the Group has no intention to dispose of any property interests in Hong Kong in the foreseeable future. As such, it is unlikely that any tax liability will crystallize. On 21st July, 2010, the Group entered into an agreement with an independent third party to dispose of a wholly-owned subsidiary of the Company, the principal asset of which is a property interest in the PRC. Certain tax liability would arise from the completion of the disposal. As at the latest practicable date for the purpose of the offer document, the completion of the disposal had not taken place. In the course of our valuation, we have not taken into account such taxes.

EXCHANGE RATE

All monetary sums stated in this report are in Hong Kong Dollars (HK$). The conversion of HK$ into Renminbi (RMB) is based on the factor of HK$1.00 to RMB0.8172 with reference to the prevailing exchange rate on the Valuation Date.

We enclose herewith our summary of values and valuation certificates.

Yours faithfully,
For and on behalf of
RHL Appraisal Limited

Serena S. W. Lau	**Lawrence Y. S. Li**
FHKIS, AAPI, MRICS, RPS(GP), MBA(HKU)	*MHKIS, RPS (GP), MBA*
Managing Director	*Director*

Ms. Serena S. W. Lau is a Registered Professional Surveyor (GP) with over 19 years' experience in valuation of properties in Hong Kong, Macau, the PRC and the Asia Pacific Region. Ms. Lau is a Professional Member of The Royal Institution of Chartered Surveyors, an Associate of Australian Property Institute, a Fellow of The Hong Kong Institute of Surveyors as well as a registered real estate appraiser in the PRC.

Mr. Lawrence Y. S. Li is a Registered Professional Surveyor (GP) with over 15 years' post qualification experience from both private and public sectors. Mr. Li has extensive experience in handling property valuation for properties located in Hong Kong for various purposes including mortgages, accountings and disposals. Besides, he has possessed solid knowledge and faceted experience in land administration, premium assessment and land grant applications with particular experience in negotiation with Government departments.

SUMMARY OF VALUES

Property		Market value in its existing state as at 31st October, 2011 *HK$*
Group I – Property interest held by the Group for owner occupation in Hong Kong		
1.	Car Parking Spaces Nos. 4007/4111, 4068, 4067 and 4076 on 4th Floor, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong	4,800,000
	Sub-Total:	**4,800,000**
Group II – Property interests held by the Group under development in Hong Kong		
2.	Nos. 703 and 705 Nathan Road, Kowloon	410,000,000
	Sub-Total:	**410,000,000**
Group III – Property interests held by the Group for future development in Hong Kong		
3.	No. 7 Moreton Terrace, Hong Kong	195,000,000
	Sub-Total:	**195,000,000**
Group IV – Property interest held by the Group for investment in Hong Kong		
4.	Office on 1st Floor together with the Appurtenant Flat Roof and the Staircase(s), Flat C on 9th Floor and Corresponding Balcony, Flat C on 10th Floor and Corresponding Balcony, Flat C on 22nd Floor and Corresponding Balcony, Flat C on 23rd Floor and Corresponding Balcony and Flat C on 25th Floor and Corresponding Balcony, Talon Tower, No. 38 Connaught Road West, Hong Kong	55,000,000
	Sub-Total:	**55,000,000**

Property	Market value in its existing state as at 31st October, 2011 *HK$*

Group V – Property interest held by the Group for owner occupation in the PRC

5.	Sanya Yalong Bay Sun Valley Golf Club Bohou Village, Yalong Bay National Resort Area, Sanya City, Hainan Province, the PRC	No commercial value
	Sub-Total:	**Nil**
	Total:	**664,800,000**

VALUATION CERTIFICATE

Group I – Property interest held by the Group for owner occupation in Hong Kong

	Property	Description and tenure	Particulars of occupancy	Market value in its existing state as at 31st October, 2011 *HK$*
1.	Car Parking Spaces Nos. 4007/4111, 4068, 4067 and 4076 on 4th Floor, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong 4/10000th undivided shares of and in Inland Lot No. 8294	The property comprises 4 car parking spaces on 4th Floor of a 37-storey (excluding refuge floors) office building with car parking spaces and shopping facilities on lower floors. The building was completed in about 1975. The property is held under the Conditions of Sale for a term of 75 years renewable for 75 years commencing from 29th September, 1972.	Car Parking Space No. 4067 of the property is subject to a license agreement for a term of 2 years commencing on 28th April, 2010 and expiring on 27th April, 2012 at a monthly license fee of HK$4,800 inclusive of rates and management fee whilst the remaining of the property is retained for the owner's use.	4,800,000

Notes:

1. *Registered owner of the property is Harbour Rainbow Limited, an indirect wholly-owned subsidiary of the Company, vide memorial no. 08052301920154 dated 28th April, 2008 at part of the consideration of HK$7,000,000.*

2. *The property is subject to the followings:*

    i. *Deed of Mutual Covenant vide memorial no. UB2095606 dated 5th June, 1981; and*

    ii. *Supplemental Deed of Mutual Covenant vide memorial no. UB5856626 dated 30th November, 1993.*

VALUATION CERTIFICATE

Group II – Property interests held by the Group under development in Hong Kong

	Property	Description and tenure	Particulars of occupancy	Market value in its existing state as at 31st October, 2011 *HK$*
2.	Nos. 703 and 705, Nathan Road, Kowloon All undivided shares of and in the Section B of Kowloon Inland Lot No. 1263 and the Remaining Portion of Kowloon Inland Lot No. 1263 and the building erected thereon	The property comprises two parcels of land with a total site area of approximately 2,433.11 sq. ft. (1,060.61 sq. ft. for No. 703 Nathan Road and 1,372.50 sq. ft. for No. 705 Nathan Road). The property is planned to be developed into a 20-storey commercial development with a total planned gross floor area is approximately 29,162.00 sq. ft. The property is classified as "Class B" under the Building (Planning) Regulations, Cap. 123F of the Buildings Ordinance Cap. 123. The property is zoned as "Commercial" under the Mong Kok Outline Zoning Plan No. S/K3/29 dated 12th August, 2011. The Property is held under the Government Lease for a term of 75 years renewable for 75 years commencing from 18th February, 1910.	The property is under the initial stage of construction.	410,000,000

Notes:

1. *The Gross Development Value upon completion as at the Valuation Date was estimated in the sum of HK$617,000,000.*

2. *The estimated total cost of completing the development is in the sum of HK$87,000,000. The anticipated date of completion is in December 2012. As advised, the total incurred construction cost as at the Valuation Date was approximately HK$18,000,000, we have taken into account the said costs in our valuation.*

3. *The proposed development does not require planning consent and the building plans for the proposed development have been approved by the Building Authority on 13th July, 2011.*

4. *Registered owner of No. 703 Nathan Road of the property is Castle Win International Limited ("**Castle Win**"), an indirect wholly-owned subsidiary of the Company, vide memorial no. 08020602030075 dated 8th January, 2008 at a consideration of HK$166,300,000.*

5. *Registered owner of No. 705 Nathan Road of the property is Castle Win, vide memorial no. 08020602030089 dated 8th January, 2008 at a consideration of HK$63,500,000.*

6. *The property is subject to a Debenture and Mortgage in favour of Industrial and Commercial Bank of China (Asia) Limited, vide memorial no. 09081403050104 dated 28th July, 2009.*

VALUATION CERTIFICATE

Group III – Property interests held by the Group for future development in Hong Kong

	Property	Description and tenure	Particulars of occupancy	Market value in its existing state as at 31st October, 2011 *HK$*
3.	No. 7 Moreton Terrace, Causeway Bay, Hong Kong Section C of Inland Lot No. 1580 Section B of Inland Lot No. 2321	The property comprises two parcels of land with a total site area of approximately 2,242.50 sq. ft. (1,873.00 sq. ft. for I.L. 1580 s.C. and 369.50 sq. ft. for I.L. 2321 s.B.). The property is planned to be developed into a high-rise hotel with 78 guestrooms with a total planned gross floor area of approximately 32,288.00 sq. ft. The property is classified as an "Class A" site under the Building (Planning) Regulations Cap. 123F of the Buildings Ordinance Cap. 123. The property is zoned as "Residential (A) under the Causeway Bay Outline Zoning Plan No. S/H6/15 dated 17th September, 2010.	The property is vacant and pending for development.	195,000,000

Notes:

1. *The Gross Development Value upon completion as at the Valuation Date was estimated in the sum of HK$403,000,000.*

2. *The estimated total cost of completing the development is in the sum of HK$105,000,000. The anticipated date of completion is in December 2015.*

3. *The proposed development does not require planning consent and the building plans for the proposed development have been approved by the Building Authority on 1st November 2011.*

4. *Registered owner of the property is Keen Step Corporation Limited, an indirect wholly-owned subsidiary of the Company, vide memorial nos. 08091200960091, 08123000800049, 08123000800050, 08081501160107, 09012000790067, 09012000790073, 08081101160160, 08090201050053, 08090201050077, 09012000790087 and 10101903020474 at an aggregate consideration of HK$142,718,000.*

VALUATION CERTIFICATE

Group IV – Property interest held by the Group for investment in Hong Kong

	Property	Description and tenure	Particulars of occupancy	Market value in its existing state as at 31st October, 2011 *HK$*
4.	Office on 1st Floor together with the Appurtenant Flat Roof and the Staircase(s), Flat C on 9th Floor and Corresponding Balcony, Flat C on 10th Floor and Corresponding Balcony, Flat C on 22nd Floor and Corresponding Balcony, Flat C on 23rd Floor and Corresponding Balcony and Flat C on 25th Floor and Corresponding Balcony, Talon Tower, No. 38 Connaught Road West, Hong Kong 5,180/67,361st parts or shares of and in Marine Lot No. 522, the Remaining Portion of Inland Lot No. 3267, the Remaining Portion of Inland Lot No. 7129, the Remaining Portion of Section B of Marine Lot No. 237 and the Remaining Portion of Inland Lot No. 3268.	The property comprises the whole of level 1 and 5 residential units of a 25-storey composite building completed in 2002. Level 1 of the property has a gross floor area of approximately 4,000.00 sq. ft, plus approximately 80.00 sq. ft. for the flat roof appurtenant thereto whilst the remaining portions of the property has a total gross floor area of approximately 3,585.00 sq. ft. The property is held under various Government Leases for the terms of 999 years commencing from 25th June, 1871, 1st December, 1900 and 9th April, 1901 respectively.	The property is vacant.	55,000,000

Notes:

1. *Registered owner of the property is Master Super Development Limited, an indirect wholly-owned subsidiary of the Company, vide memorial nos. UB7085634, UB7085635, UB7085636, UB7185218, UB7185219, UB7185220, UB7185221, UB7196449, UB7196450 and UB7206368.*

2. *The property is subject to G.N. No. 1046 dated 26th February, 2010 under Railways Ordinance (Chapter 519) vide memorial no. 10030902780236 dated 26th February, 2010. (Remarks: Mass Transit Railway ('**MTR**'*) West Island Line annexed nos. RDM1054, RDM1056 and RDM1059 re: resumption of underground strata of land by the Director of Lands re: I.L. 3267 R.P., I.L. 7129 R.P., M.L. 237 S.B. R.P. and I.L. 3268 R.P.).

3. *The property is subject to G.N. No. 1050 dated 26th February, 2010 under Railways Ordinance (Chapter 519) vide memorial no. 10030902780252 dated 26th February, 2010. (Remarks: Mass Transit Railway ('**MTR**'*) West Island Line annexed nos. RDM1055, RDM1057 and RDM1084 re: resumption of underground strata of land by the Director of Lands re: I.L. 3267 R.P., I.L. 7129 R.P., M.L. 237 S.B. R.P. and I.L. 3268 R.P.).

VALUATION CERTIFICATE

Group V – Property interests held by the Group for owner occupation in the PRC

	Property	Description and tenure	Particulars of occupancy	Market value in its existing state as at 31st October, 2011 *HK$*
5.	Sanya Yalong Bay Sun Valley Golf Club, Bohou Village, Yalong Bay National Resort Area, Sanya City, Hainan Province, the PRC	Sanya Yalong Bay Sun Valley Golf Club is a large-scale comprehensive development with a total site area of approximately 2,777,130.04 sq. m., Comprising a 18-hole golf course, a 9-hole golf course, a 2-storey golf clubhouse, a reservoir and ancillary facilities. The golf clubhouse of the property has a gross floor area of approximately 4,601.00 sq. m.. It was completed in September 2006. Hotel development and resorts with planned gross floor areas of approximately 66,801.42 sq. m. and 76,700.00 sq. m. are proposed to be erected over the property.	The 18-hole golf course and the 9-hole golf course are currently operated by the Group as a golf course whilst the 2-storey golf clubhouse is currently operated by the Group as a country club.	No commercial value

Notes:

1. *Pursuant to a joint venture agreement dated 3rd June, 1999 (the "**JV Agreement**") entered into between Donson (International) Development Limited ("**Donson International**"), a wholly-owned subsidiary of the Company, and 三亞博后經濟開發有限公司 ("**Sanya Bohou**"), Donson International and Sanya Bohou formed a joint venture company namely 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.) ("**Sanya Yalong**") with a total registered capital of RMB35,000,000 for the development of a golf course with necessary ancillary facilities. 80% interest is held by Donson International and 20% interest is held by Sanya Bohou). According to the JV Agreement, Donson International is entitled to have 80% profit from the operation of the project and Sanya Bohou is entitled to have 20% profit of the project.*

2. *Pursuant to the Business License No. 460200400001147 issued by Hainan Sanya Administrative Bureau of Industry and Commerce, the operation details of Sanya Yalong are as follows:*

Registered Capital	:	*RMB35,000,000*
Duration of Operation	:	*From 4th June, 1999 to 6th June, 2049*
Scope of Business	:	*Golf Course, Cultural Park, Beverage, Hotel Management*

3. *Pursuant to a Land Use Rights Certificate – Jun Yong Zi Di No. 0000750 issued by 廣州軍區房地產管理局 dated 5th July, 2000, the land use rights of a portion of the subject land with a site area of approximately 192,270.45 sq. m. were allocated to Sanya Yalong for a term commencing on 1st February, 2000 and expiring on 31st January, 2050 for entertainment, cultural and commercial uses.*

4. *Pursuant to various agreements entered into between Sanya Yalong and various independent third parties, Sanya Yalong has been granted with operating rights in certain portions of the subject land with a total site area of approximately 801.28 mu (534,189.34 sq. m.), the details of such agreements are as follows:*

No.	Grantor	Date of agreement	Site area (mu)	Tenure
1	博后新坡一、三合作經濟社；田獨鎮博后村委會	18th May, 2000	168.00	10th May, 2000 to 10th May, 2050
2	博后村委會紅光三隊	12th July, 2000	10.20	12th July, 2000 to 12th July, 2050
3	博后村委會	5th January, 2001	5.00	50 years from 5th January, 2001
4	博后村委會新坡一、二隊；博后村委會	1st March, 2001	10.20	50 years from 1st March, 2001
5	六盤村委會、紅色第二合作經濟社	5th March, 2001	2.40	50 years from 5th March, 2001
6	博后村委員會、糖豐合作經濟社	5th March, 2001	26.37	50 years from 5th March, 2001
7	博后紅旗經濟合作社、博后村委代表	27th May, 2003	250.00	50 years from 27th September, 1999
			4.20	50 years from 27th September, 1999
			5.00	50 years from 27th September, 1999
			6.00	50 years from 27th September, 1999
8	六盤村委會	20th June, 2003	2.01	N/A
9	博后新坡一、三合作經濟社	30th October, 2003	2.00	31st October, 2003 to 31st October, 2053
10	博后村委會新坡二合作經濟社	26th August, 2006	0.81	From 26th August, 2006
11	博后村委會新坡二合作經濟社	28th November, 2006	1.62	From 28th November, 2006
12	新坡第二合作經濟社	8th September, 2004	0.47	24th April, 2004 to 24th April, 2054
13	新坡第二合作經濟社	8th September, 2004	23.00	24th April, 2004 to 24th April, 2054
14	博后村委會新坡二村小組	16th January, 2007	200.00	1st January, 2007 to 1st January, 2057
15	博后糖豐村民小組	1st November, 2003	77.00	1st February, 2000 to 1st February, 2050
16	符文光	26th February, 2010	7.00	25th February, 2010 to 25th February, 2012
		Total:	**801.28**	

5. *Pursuant to various agreements entered into between Sanya Bohou and various independent third parties, Sanya Bohou has been granted with operating rights in certain portions of the subject land with a total site area of approximately 3,075.99 mu (2,050,670.25 sq. m.), the details of such agreements are as follows:*

No.	***Grantor***	***Date of agreement***	***Site area*** *(mu)*	***Term***
1	三亞市田獨鎮博后村委會 三亞市博后糖豐合作經濟社 博后新坡第一、二、三合作經濟社 博后紅旗村小組	*28th May, 1999*	*1,804.49*	*6th June, 1999 to 6th June, 2049*
2	三亞市田獨鎮博后村委員會	*29th July, 2002*	*1,000.00*	*29th July, 2002 to 29th July, 2052*
3	三亞市田獨鎮博后村民委員會	*10th January, 2000*	*230.00*	*1st February, 2000 to 1st February, 2050*
4	博后糖豐村民小組	*31st May, 2007*	*41.50*	*18th May, 2007 to 18th May, 2049*
		Total:	***3,075.99***	

As advised by the Company, the operating rights of such portions of the subject land was vested in Sanya Yalong.

6. *In the course of our valuation, we have attributed no commercial value to the property as the land use rights of the property are prohibited from being assigned, leased, charged or otherwise disposed of in the market. However, for reference purposes only, by assuming that the owner of the property is entitled to transfer, lease, mortgage or dispose of the property freely in the market and all the land grant premium or any additional premium for the disposal of the property have been settled in full, we are of the opinion that the market value of the property in its existing state as at the Valuation Date was HK$865,000,000 (equivalent to RMB706,878,000).*

7. *We have been provided with a legal opinion issued by the Company's PRC legal adviser, Guangdong Code Law Office (廣東科德律師事務所), regarding the legal title of the property, which contains, inter alia, the following:*

   (i) *Sanya Yalong and Sanya Bohu, are entitled to use and occupy the respective portions of the property but with restrictions on the rights of transfer, mortgage or dispose of the property; and*

   (ii) *Sanya Yalong has obtained all relevant licences for the operation of current business; and*

   (iii) *the property is free from any mortgage or third parties' encumbrances.*

The following is the full text of the valuation report prepared for the purpose of incorporation in this Offer Document received from RHL Appraisal Limited, an independent valuer, in connection with its valuation on the fair value of the Loan Notes.

永利行評值顧問有限公司
RHL Appraisal Limited
Corporate Valuation & Advisory

T +852 2730 6212
F +852 2736 9284

Room 1010, 10/F, Star House
Tsimshatsui, Hong Kong

3rd January, 2012

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

Dear Sirs,

In accordance with the instructions from ITC Properties Group Limited (hereinafter referred to as the "**Client**" or the "**Company**"), we have undertaken a valuation to determine the fair value of a batch of the loan notes (hereinafter referred to as the "**Loan Notes**" or the "**Notes**") that will be issued by the Company to satisfy part of the price to be paid to the qualifying shareholders of the Company who have accepted the conditional voluntary offer made by Optima Capital Limited on behalf of the Company (the "**Offer**") to them to repurchase up to 260,000,000 ordinary shares of the Company. The date of valuation for the said purpose is taken as 31st October, 2011 (hereinafter referred to as the "**Valuation Date**").

The valuation will be used as reference and for inclusion in the offer document dated 3rd January, 2012 of the Company (the "**Offer Document**") issued in connection with the Offer. The valuation and findings in this report will be used for the abovementioned purpose only.

Basis of Valuation

Our valuation was carried out on a fair value basis. Fair value is defined as *"the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction".*

We have conducted our valuation in accordance with International Valuation Standards issued by International Valuation Standards Council. The valuation procedure includes review of the terms and conditions of the subject instrument and the financial and economic condition of the subject company. All matters essential to the proper understanding of the valuation are disclosed in the valuation report. Opinion of value included in the valuation report is impartial, independent, and unbiased.

Instruments

The liability to be valued is a financial instrument with details as follows:

Instrument	Loan Notes
Issuer	The Company
Denomination	In denomination of HK$2.00 each
Aggregate Principal Amount	Up to 260,000,000 Loan Notes with an aggregate principal amount of HK$520,000,000
Maturity	The Loan Notes are due to mature and will automatically be redeemed on the day falling 36 months after the date of their issue at their principal amount plus accrued interest.
Interest	The Loan Notes will bear interest at a fixed rate of 6% per annum, and such interest will be paid annually in arrears on 31st December with the last payment being made on the maturity date.

Sources of Information

We have planned and performed our valuation so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to express our opinion on the subject instruments. We believe that our valuation provides a reasonable basis for our opinion.

In our valuation, the following factors were considered in determining the values of the Notes:

1. An announcement of the Company dated 28th November, 2011 published on the respective websites of The Stock Exchange of Hong Kong Limited and Company;

2. All relevant information obtained; and

3. Bloomberg database.

Assumptions and Notes to Valuation

The assumptions considered having significant effects in this valuation have been evaluated and validated in arriving at our assessed values.

We have assumed that there will be no material change in the existing political, legal, technological, fiscal or economic conditions which might adversely affect the economy in general and the business of the Company.

Valuation Approach and Methodology

In carrying out this valuation exercise, we have reviewed the details of the Notes as provided by the management of the Company and other relevant market information.

Discounted cash flow method is to be employed in deriving the fair value of the Loan Notes. The fair value of the Loan Notes is estimated by computing the present value of all future cash flows discounted by the prevailing market rate of interest for similar instruments. The equation for pricing the Notes is in general as follows:

Fair Value of the Notes =

$$\frac{CF_1}{(1+r)^{t_1}} + \frac{CF_2}{(1+r)^{t_2}} + \frac{CF_3}{(1+r)^{t_3}} + \ldots + \frac{CF_n}{(1+r)^{n}}$$

where CF_i is the cash flow occurred at time t_i;
n is the number of cash flows; and
r is the appropriate market rate for discounting the Notes.

Valuation Assumptions

For the valuation of the Notes, we have applied the following assumptions:

1. Riskfree rates are based on the yields of US Treasury Notes/Bonds and Hong Kong Exchange Fund Bills/Notes as of the Valuation Date;

2. Yields are linearly interpolated from appropriate yield curves. When shorter maturity rate is unavailable, the yield is taken as the rate with the shortest maturity as of the Valuation Date;

3. Discount rate is based on comparable bonds of similar credit rating (ranging from CC to CCC+) and maturity (ranging from 2 to 4 years);

4. The credit rating assessed for the Company is CCC; and

5. The discount rate applied for this valuation is 14.2%.

Limiting Conditions

- As part of our analysis, we have reviewed the financial information, the Client's presentations and other pertinent data concerning the Notes available to us. We have assumed the accuracy of, and have relied on the information and the Client's presentations provided in arriving at our opinion of value.

- We shall not be required to give testimony or to attend in court or to any government agency by reason of this valuation and with reference to the project described herein unless prior arrangements have been made.

- No opinion is intended to be expressed for matters which require legal or other specialised expertise or knowledge, beyond that customarily employed by valuers.

- Our conclusions assume continuation of prudent client policies over whatever period of time considered to be necessary in order to maintain the character and integrity of the assets valued. We assume that there are no hidden or unexpected conditions associated with the assets valued that might adversely affect their market value. Further, we assume no responsibility for changes in market conditions after the Valuation Date.

- No allowance has been made in our valuation for any charges, debts, collateral or amounts owing on the assets valued, or for any expenses or taxation which may be incurred in effecting a sale. It is assumed that the assets valued are free from all encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

- This valuation report has been prepared solely as reference and for inclusion in the Offer Document only.

- This report is prepared for the Client for the specific purpose to which it refers. In accordance with our standard practice, we must state that this report and valuation is for the use only of the party to whom it is addressed and its professional advisers and no responsibility is accepted to any third party for the whole or any part of its contents.

Opinion of Fair Value

Based on the results of our investigations and analyses outlined in this report, we are of the opinion that the fair value of the Notes assuming aggregate principal amount of HK$520,000,000 are issued as of the Valuation Date, free from any encumbrances, is HONG KONG DOLLARS FOUR HUNDRED TWENTY ONE MILLION SEVEN HUNDRED FOUR THOUSAND ONLY (HKD421,704,000).

Yours faithfully,
For and on behalf of
RHL Appraisal Limited

Andrew C.L. Chan
CFA, MBA
Senior Associate Director

Neville H.S. Yu
CPA
Senior Manager

Mr. Andrew C.L. Chan is a CFA charterholder with over 15 years' experience in investment analysis, business valuation, corporate finance, corporate financing, investor relations and business development in the PRC, Hong Kong and the Asia Pacific Region. Mr. Chan is a regular member of the CFA Institute.

Mr. Neville H.S. Yu is a Certified Public Accountant with over 5 years' experience in financial audit, internal control, business and intangible asset valuation and financial instrument valuation for private and listed companies in the PRC and Hong Kong. Mr. Yu was employed by a top-tier international professional firm and is a member of Hong Kong Institute of Certified Public Accountants.

The following is the full text of the comfort letter from Optima Capital, the financial adviser to the Company, for the purpose of incorporation in this Offer Document.

OPTIMA CAPITAL

Suite 1501, 15th Floor
Jardine House
1 Connaught Place
Central
Hong Kong

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

3rd January, 2012

Dear Sirs,

(I) CONDITIONAL VOLUNTARY OFFER BY OPTIMA CAPITAL LIMITED ON BEHALF OF ITC PROPERTIES GROUP LIMITED TO REPURCHASE UP TO 260,000,000 SHARES AT A PRICE OF HK$2.60 PER SHARE (OF WHICH HK$0.60 WILL BE SATISFIED BY CASH AND THE BALANCE OF HK$2.00 WILL BE SATISFIED BY WAY OF THE LOAN NOTES); AND (II) APPLICATION FOR WHITEWASH WAIVER BY SELECTIVE CHOICE INVESTMENTS LIMITED

We refer to the Offer being made by the Company. Capitalised terms used in this letter shall, unless otherwise stated, have the same meanings given to them in the document dated 3rd January, 2012 issued by the Company in connection with the Offer, of which this letter forms part.

Pursuant to the requirements of the Codes, the Company has engaged RHL Appraisal Limited (the "**Valuer**") to provide an estimate of value of the Loan Notes ("**Estimate of Value**"). This letter has been provided to the Directors solely for the purposes of Rule 11.1(b) of the Takeovers Code and shall not be used or relied upon for any other purpose whatsoever. It is not addressed to and may not be relied upon by any third party for any purpose whatsoever and we expressly disclaim any duty or liability to any third party with respect to the contents of this letter.

We have reviewed and discussed with the Company and the Valuer the qualifications, bases and assumptions adopted by the Valuer in the context of its Estimate of Value contained in the letter dated 3rd January, 2012 addressed to the Company from the Valuer. We are satisfied that the Estimate of Value, the qualifications, bases and assumptions have been made with due care and consideration and objectivity, and on a reasonable basis.

Yours faithfully,
For and on behalf of
Optima Capital Limited
Beatrice Lung
Managing Director

1. RESPONSIBILITY STATEMENT

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Offer Document and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Offer Document have been arrived at after due and careful consideration and there are no other facts not contained in this Offer Document, the omission of which would make any statement in this Offer Document misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date were and upon completion of the Offer assuming the Offer is accepted in full will be as follows:

Authorised		*HK$*
40,000,000,000	Shares as at the Latest Practicable Date	400,000,000
Issued and fully paid or credited as fully paid		
564,919,597	Shares as at the Latest Practicable Date	5,649,196
(260,000,000)	Shares proposed to be cancelled under the Offer	(2,600,000)
304,919,597	Shares upon completion of the Offer and cancellation of the Shares repurchased	3,049,196

All the issued Shares rank pari passu with each other in all respects including the rights as to voting, dividends and return of capital.

As at the Latest Practicable Date, apart from the 564,919,597 Shares in issue, the Company had (i) 19,300,000 outstanding Options entitling the holders thereof to subscribe for 19,300,000 Shares at the exercise price of HK$2.22 per Share, 50% of which were vested as at the Latest Practicable Date; and (ii) the 2013 CBs with an aggregate outstanding principal amount of HK$619,050,000 which are convertible into 281,386,361 new Shares at the prevailing conversion price of HK$2.20 per Share (subject to adjustments).

Save as disclosed above, the Company had no outstanding options, warrants or convertible or exchangeable securities carrying rights to subscribe for, convert or exchange into Shares as at the Latest Practicable Date.

There has been no re-organisation of capital of the Company during the two financial years immediately preceding the date of the Announcement.

The Company did not declare or pay out any dividend during the two-year period immediately preceding the date of this Offer Document.

Depending on the future results and financial position of the Group, the Board may declare dividends as and when they consider appropriate. The Board does not expect the Offer to have any adverse effect on the ability of the Company to pay dividends or on the dividend policy of the Company.

The Company did not repurchase any Shares during the 12-month period immediately preceding the date of this Offer Document.

The Company has not issued any Shares since 31st March, 2011 (being the end of the last financial year of the Company).

During the two-year period immediately preceding the date of commencement of the Offer Period, i.e. 28th November, 2011, and up to the Latest Practicable Date, the Company issued an aggregate of 94,002,113 Shares with details as follows:

Date of issue	**Number of Shares issued**	**Issue price per Share**	**Proceeds**
		HK$	*HK$*
28th January, 2010	2,112	2.625	5,544
2nd February, 2010	1	2.625	2.625
8th June, 2010	94,000,000	1.600	150,400,000

3. MARKET PRICES

The table below shows the closing prices of the Share on the Stock Exchange on (i) the Latest Practicable Date; (ii) 18th November, 2011, being the Last Trading Day; and (iii) the last trading day of each of the calendar months during the Relevant Period.

Date	**Closing price per Share**
	HK$
31st May, 2011	1.95
30th June, 2011	1.88
29th July, 2011	1.91
31st August, 2011	1.97
30th September, 2011	1.82
31st October, 2011	1.78
18th November, 2011, being the Last Trading Day	1.72
30th November, 2011	1.86
30th December, 2011, being the Latest Practicable Date	2.03

The highest and lowest closing price per Share as quoted on the Stock Exchange during the Relevant Period were HK$2.00 per Share on 19th July, 2011 and 1st August, 2011, and HK$1.62 per Share on 4th October, 2011 respectively.

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

(ii) Interests in the Options

Name of the Director	Date of grant	Option period	Exercise price per Share *(HK$)*	Number of the 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. FY 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. Alan Chan	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
				11,510,000	

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 the 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 the Shareholder	Long position/ Short position	Capacity	Number of Shares held	Approximate percentage of the issued share capital of the Company *(%)*
Selective Choice *(Note 2)*	Long position	Beneficial owner	139,583,474 *(Note 1)*	24.71
ITC Investment Holdings Limited ("**ITC Investment**") *(Note 2)*	Long position	Interest of controlled corporation	139,583,474 *(Note 1)*	24.71
ITC *(Notes 2 and 3)*	Long position	Interest of controlled corporation	139,583,474 *(Note 1)*	24.71
Dr. Charles Chan	Long position	Interest of controlled corporation	139,583,474 *(Note 1)*	24.71
	Long position	Beneficial owner	6,066,400 *(Note 1)*	1.07
			145,649,874	25.78
Ms. Ng	Long position	Interest of spouse	145,649,874 *(Note 1)*	25.78
Argyle Street Management Limited ("**ASML**")	Long position	Interest of controlled corporations	13,608,000 *(Note 4)*	2.41

Name of the Shareholder	Long position/ Short position	Capacity	Number of Shares held	Approximate percentage of the issued share capital of the Company *(%)*
Argyle Street Management Holdings Limited ("**ASM Holdings**")	Long position	Interest of controlled corporations	13,644,000 *(Note 4)*	2.42
Mr. Kin Chan	Long position	Interest of controlled corporations	13,644,000 *(Note 4)*	2.42

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

Name of the Shareholder	Long position/ Short position	Capacity	Number of underlying Shares held (under equity derivatives of the Company)	Approximate percentage of the issued share capital of the Company *(%)*
Selective Choice *(Note 2)*	Long position	Beneficial owner	32,000,000 *(Note 1)*	5.66
ITC Investment *(Note 2)*	Long position	Interest of controlled corporation	32,000,000 *(Note 1)*	5.66
ITC *(Notes 2 and 3)*	Long position	Interest of controlled corporation	32,000,000 *(Note 1)*	5.66
Dr. Charles Chan	Long position	Interest of controlled corporation	32,000,000 *(Note 1)*	5.66
	Long position	Interest of spouse	135,000,000 *(Note 1)*	23.90
Ms. Ng	Long position	Beneficial owner	135,000,000 *(Note 1)*	23.90
	Long position	Interest of spouse	32,000,000 *(Note 1)*	5.66

Name of the Shareholder	Long position/ Short position	Capacity	Number of underlying Shares held (under equity derivatives of the Company)	Approximate percentage of the issued share capital of the Company *(%)*
ASML	Long position	Interest of controlled corporations	35,000,000 *(Note 4)*	6.19
ASM Holdings	Long position	Interest of controlled corporations	35,000,000 *(Note 4)*	6.19
Mr. Kin Chan	Long position	Interest of controlled corporations	35,000,000 *(Note 4)*	6.19

Notes:

1. *Selective Choice, a wholly-owned subsidiary of ITC Investment, which in turn was a wholly-owned subsidiary of ITC, owned 171,583,474 Shares (of which 32,000,000 Shares related to its derivative interest). ITC Investment and ITC were deemed to be interested in 171,583,474 Shares (of which 32,000,000 Shares related to their derivative interests) which were held by Selective Choice. Dr. Charles Chan was the controlling shareholder of ITC. Ms. Ng is the spouse of Dr. Charles Chan. Dr. Charles Chan owned 6,066,400 Shares and was deemed to be interested in 306,583,474 Shares (of which 167,000,000 Shares related to his derivative interest) which were held by Ms. Ng and Selective Choice. Ms. Ng owned 135,000,000 underlying Shares and was deemed to be interested in 177,649,874 Shares (of which 32,000,000 Shares related to her derivative interest) which were held by Dr. Charles Chan and Selective Choice.*

2. *Mr. FY Chan, the managing director of the Company and an executive Director, is an executive director of ITC and a director of Selective Choice and ITC Investment.*

3. *Mr. Alan Chan, an executive Director, is an executive director of ITC and the son of Dr. Charles Chan and Ms. Ng; and Hon. Shek Lai Him, Abraham, SBS, JP, the vice chairman of the Company and an independent non-executive Director, is an independent non-executive director of ITC.*

4. *ASML, as investment manager, through its managed funds, ASM Asia Recovery (Master) Fund ("**ASM Master**"), ASM Hudson River Fund ("**ASM Hudson**") and ASM Co-Investment Term Trust I ("**ASM Co-Investment**"), was deemed to be interested in 48,608,000 Shares (of which 35,000,000 Shares related to its derivative interests) which were held by ASM Master, ASM Hudson and ASM Co-Investment.*

   *ASML and ASM General Partner I Limited ("**ASMGP**") were wholly-owned subsidiaries of ASM Holdings. ASMGP is the general partner of ASM Co-Investment Opportunity Trust I LP ("**ASM Opportunity**") which manages, controls the operation and determines the policy with respect to ASM Opportunity. ASMGP was indirectly interested in the Shares held by ASM Opportunity. Mr. Kin Chan was the controlling shareholder of ASM Holdings. As such, ASM Holdings and Mr. Kin Chan were deemed to be interested in 48,644,000 Shares (of which 35,000,000 Shares related to their derivative interests) which were held by ASM Master, ASM Hudson, ASM Co-Investment and ASM Opportunity.*

(iii) Other members of the Group

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

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

5. DEALINGS IN THE SHARES AND OTHER ARRANGEMENTS

Save for (i) the repurchase of convertible bonds of the Company which would mature on 15th June, 2011 (the "**2011 CBs**") with an aggregate outstanding principal amount of HK$535,500,000 on 25th May, 2011; (ii) the issue of the 2013 CBs with an aggregate principal amount of HK$589,050,000 and HK$30,000,000 on 25th May, 2011 and 10th June, 2011, respectively; and (iii) the redemption of the 2011 CBs with an aggregate outstanding principal amount of HK$370,500,000 on 15th June, 2011, the Company had not repurchased or dealt in any Shares or any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company since 18th May, 2011 (being the date falling six months before the date on which the Board approved the proposal relating to the Offer) and up to the Latest Practicable Date, and will not conduct any on-market Share repurchase from the Latest Practicable Date up to and including the date on which the Offer closes, lapses or is withdrawn, as the case may be.

Save as disclosed above, none of the Company, the Directors and any parties acting in concert with any of them had dealt for value in securities of Selective Choice or any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the Relevant Period.

Save for (i) the subscription of the 2013 CBs with an outstanding principal amount of HK$70,400,000 and HK$11,000,000 respectively by Selective Choice and Ms. Chau on 25th May, 2011; (ii) the acquisition of the 2013 CBs with the outstanding principal amount of HK$297,000,000 by Dr. Charles Chan on 22nd September, 2011; and (iii) the subsequent disposal of the 2013 CBs with the outstanding principal amount of HK$297,000,000 by Dr. Charles Chan to Ms. Ng on 9th November, 2011, Selective Choice and parties acting in concert with it confirmed to the Company that they had not dealt in the securities of the Company since 18th May, 2011 (being the date falling six months before the date on which the Board approved the proposal relating to the Offer) and up to the Latest Practicable Date. The aforesaid 2013 CBs are convertible into new Shares at the prevailing conversion price of HK$2.20 per Share (subject to adjustments).

Save as disclosed above, none of Selective Choice, its directors nor any parties acting in concert with any of them had dealt for value in the securities of Selective Choice or any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the Relevant Period.

As at the Latest Practicable Date, save as disclosed in the letter from the Board contained in this Offer Document:

(i) none of the Company, the Directors and any parties acting in concert with any of them had any shares, relevant securities or outstanding derivatives in respect of the securities of the Company and any relevant securities of Selective Choice nor had they borrowed or lent any relevant securities of the Company and any relevant securities of Selective Choice;

(ii) Selective Choice and parties acting in concert with it did not hold or have control or direction over any other relevant securities (as defined under the Takeovers Code) of the Company, including any outstanding derivatives in respect of the securities in the Company;

(iii) none of Selective Choice and parties acting in concert with it had borrowed or lent any relevant securities of the Company and any relevant securities of Selective Choice;

(iv) there was no arrangement as referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) in relation to the Shares or shares of Selective Choice and any parties acting in concert with it, and which might be material to the Offer; and there was no agreement or arrangement to which the Company, Selective Choice or any parties acting in concert with Selective Choice was a party which related to circumstances in which it might or might not invoke or seek to invoke a pre-condition or a condition to the Offer;

(v) there was no agreement, arrangement or understanding (including any compensation arrangement) existed between Selective Choice or parties acting in concert with it and any of the Directors or recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the Offer and/or the Whitewash Waiver;

(vi) no benefit would be or has been given to any Director as compensation for loss of office or otherwise in connection with the Offer and/or the Whitewash Waiver (other than statutory compensation);

(vii) there was no agreement or arrangement existed between any Director and any other person which would be conditional on or dependent upon the outcome of the Offer and/or the Whitewash Waiver or otherwise connected therewith;

(viii) there was no material contract entered into by Selective Choice in which any Director had a material personal interest;

(ix) no subsidiary of the Company, pension fund of the Company or of any subsidiary of the Company, or any adviser to the Company as specified in class (2) of the definition of "associate" under the Takeovers Code owned or controlled any securities of the Company and Selective Choice;

(x) no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code existed between any person and the Company or any person who is an associate of the Company by virtue of classes (1), (2), (3) or (4) of the definition of "associate" under the Takeovers Code;

(xi) no fund managers connected with the Company who managed funds on a discretionary basis had any interest in any Shares, any other convertible securities, warrants, options or derivatives in respect of any Shares, any shares of Selective Choice or any other convertible securities, warrants, options or derivatives in respect of any shares of Selective Choice as at the Latest Practicable Date;

(xii) no fund managers connected with the Company who managed funds on a discretionary basis had dealt for value in any Shares, any other convertible securities, warrants, options or derivatives in respect of any Shares, any shares of Selective Choice or any other convertible securities, warrants, options or derivatives in respect of any shares of Selective Choice from the date the Announcement and up to the Latest Practicable Date; and

(xiii) Selective Choice and parties acting in concert with it had not entered into any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with any person.

6. LITIGATION

As at the Latest Practicable Date, neither the Company nor any member of the Group was engaged in any litigation or arbitration of material importance and there was no litigation or claim of material importance to be pending or threatened against any member of the Group.

7. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with the Company, or any of its subsidiaries or associated companies which:

(a) (including both continuous and fixed term contracts) had been entered into or amended during the Relevant Period; or

(b) was a continuous contract with a notice period of 12 months or more; or

(c) was a fixed term contract with more than 12 months to run irrespective of the notice period; or

(d) was not determinable by the employer within one year without payment of compensation (other than statutory compensation).

8. 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 after the date two years immediately preceding the date of the Announcement and which are or may be material:

(a) the agreement dated 15th December, 2009 entered into among, inter alia, ITC Properties (China) Limited (formerly known as Macau Prime Property (China) Limited) ("**ITCP (China)**"), an indirect wholly-owned subsidiary of the Company, as purchaser and Bright Sino Profits Limited as vendor in relation to the acquisition of 92% of the issued share capital of Newskill Investments Limited ("**Newskill**") and (if any) the corresponding shareholders' loans at an aggregate cash consideration of approximately HK$883.2 million;

(b) the agreement dated 15th December, 2009 entered into between ITCP (China) as purchaser and Cango Trading Limited as vendor in relation to the acquisition of 8% of the issued share capital of Newskill and (if any) the corresponding shareholders' loans at an aggregate cash consideration of approximately HK$76.8 million;

(c) the joint venture agreement dated 23rd December, 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**") pursuant to which ITC China agreed to increase its capital contribution to 貴州宏德商務諮詢有限公司 (Guizhou Hong De Business Consulting Co., Ltd.) (the "**JV Company**") by RMB45.0 million;

(d) 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 pursuant to which the maximum additional capital contribution of ITC China in the JV Company would be RMB135.0 million (equivalent to approximately HK$153.4 million);

(e) the subscription agreement dated 5th February, 2010 entered into among ITC Golf & Leisure Group Limited ("**ITC Golf**"), an indirect wholly-owned subsidiary of the Company, 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 pursuant to which ITC Golf contributed approximately HK$3,500 for the shares subscription in Business Action;

(f) 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 pursuant to which ITC Golf would receive the loan repayment of approximately HK$27.7 million from Business Action;

(g) 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 (c) above, pursuant to which ITC China further agreed to increase its capital contribution to the JV Company by RMB90.0 million;

(h) the placing agreement dated 19th May, 2010 (the "**Placing Agreement 1**") 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 at a price of HK$1.60 per Share by the Placing Agent on a best effort basis pursuant to the terms of the Placing Agreement 1 (the "**Placing 1**") and the net proceeds from the Placing 1 (after deduction of expenses) amounted to approximately HK$146.1 million;

(i) the agreement dated 21st July, 2010 entered into between Everight Investment Limited ("**Everight**"), an indirect wholly-owned subsidiary of the Company, as vendor and Million Cube Limited ("**Million Cube**") as purchaser in relation to the disposal (the "**Disposal**") 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 at the aggregate consideration of approximately HK$746.3 million (translated at the specified exchange rate from RMB650.0 million) (subject to adjustments) (the "**Consideration**");

(j) the agreement dated 29th September, 2010 entered into among ITC Properties Holdings Group Limited, a direct wholly-owned subsidiary of the Company, as vendor, the Company as vendor's guarantor, Vigorous World Limited as purchaser and Hanny Holdings Limited as purchaser's guarantor in relation to the disposal of 50% of the issued share capital of ITCP (China) and (if any) the corresponding shareholders' loans at an aggregate consideration of HK$480.0 million (subject to adjustments);

(k) the offer letters dated 25th February, 2011, 8th March, 2011 and 28th March, 2011 sent by the Company to the holders of the 2011 CBs issued by the Company in an aggregate outstanding principal amount of HK$906,000,000 (other than the noteholder in the United States of America) in relation to the repurchase of the 2011 CBs at the sum of the outstanding principal amount with 10% redemption premium payable by the Company at maturity and the corresponding acceptance tendered by the holders of the 2011 CBs with an aggregate principal amount of HK$535,500,000;

(l) the placing agreement dated 15th April, 2011 (the "**Placing Agreement 2**") entered into between the Company as issuer and the Placing Agent as placing agent in relation to the placing of the 2013 CBs in the maximum aggregate principal amount of HK$407,550,000 (if certain conditions precedent are fulfilled) or HK$704,550,000 (if certain conditions precedent are not fulfilled) on a best effort basis pursuant to the Placing Agreement 2 (the "**Placing 2**") and the net proceeds from the Placing 2 (after deduction of expenses) amounted to approximately HK$29.0 million;

(m) the joint venture agreement dated 28th June, 2011 entered into between Global Wave Group Limited ("**Global Wave**"), an indirect wholly-owned subsidiary of the Company, TC Capital Group Limited, a company wholly-owned by Mr. Alan Chan, and Golden Fruit Limited ("**Golden Fruit**") in relation to the formation of Golden Fruit pursuant to which Global Wave agreed to contribute a maximum amount of up to HK$30,000,390 to Golden Fruit;

(n) the sale and purchase agreement dated 7th July, 2011 entered into between ITC Properties (Hong Kong) Limited ("**ITCP (Hong Kong)**"), an indirect wholly-owned subsidiary of the Company, as vendor and Greatward Limited, an indirect wholly-owned subsidiary of CSI Properties Limited, as purchaser in relation to the disposal of 50% of the issued share capital of Vastness Investment Limited ("**Vastness**") and 50% of the entire amount of the shareholder's loan due by Vastness to the purchaser at an aggregate consideration of HK$337.0 million;

(o) the sale and purchase agreement dated 9th September, 2011 entered into between ITCP (Hong Kong), as purchaser and Hero's Way Resources Ltd., a wholly-owned subsidiary of ITC, as vendor in relation to the acquisition of the entire issued share capital of Top Precise Investments Limited ("**Top Precise**") at an aggregate consideration of HK$313.0 million plus the NTAV (as defined therein);

(p) a memorandum of understanding (the "**MOU**") dated 5th December, 2011, entered into between Everight and Million Cube in relation to the Disposal, pursuant to which (i) Million Cube intended to pay a further amount of HK$115.0 million (the "**First Amount**") to Everight on or before 7th December, 2011; (ii) Million Cube intended to pay further amounts (the "**Second Amount**") to Everight by 30th December, 2011 (the "**Cut Off Date**"); and (iii) completion of the Disposal should take place on 6th January, 2012 if Million Cube had paid to Everight the remaining balance of the Consideration (the "**Remaining Balance**", being approximately HK$384.6 million) and the interest on overdue amount (the "**Interest**", being approximately HK$38.3 million) by the Cut Off Date. If the Second Amount paid by Million Cube to Everight is greater than the First Amount but less than the aggregate of the Remaining Balance and the Interest, Everight and Million Cube should negotiate and enter into a supplemental agreement, pursuant to which the percentage of shareholding in and shareholder's loan to Paragon Winner to be acquired by Million Cube would be reduced from 65% to a percentage not exceeding 49%; and

(q) the sale and purchase agreement dated 13th December, 2011 entered into between ITC Properties Investment (China) Limited, an indirect wholly-owned subsidiary of the Company, as vendor and Giant Soar Limited as purchaser in relation to the disposal of the entire equity interest in, and shareholder's loan to, Linktop Limited for an aggregate consideration of RMB230.0 million (equivalent to approximately HK$279.6 million).

9. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have given opinions or advices in this Offer Document:

Name	Qualification
Optima Capital	A corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
First Shanghai	A corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO
Deloitte Touche Tohmatsu ("**DTT**")	Certified Public Accountants
RHL Appraisal Limited ("**RHL**")	Professional valuer

Optima Capital, First Shanghai, DTT and RHL have given and have not withdrawn their written consent to the issue of this Offer Document with the inclusion herein of their opinions and/or letters, and references to their names, opinions or letters in the form and context in which they respectively appear.

10. GENERAL

(a) The registered office of the Company is at Clarendon House, Church Street, Hamilton HM 11, Bermuda. The principal place of business of the Company in Hong Kong is at Unit 3102, 31st Floor, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong.

(b) The registered office of Selective Choice is at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands with correspondence address at 30th Floor, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong. The board of directors of Selective Choice comprises Ms. Chau, Mr. FY Chan and Mr. Alex Lai.

(c) The registered office of ITC is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The principal place of business of ITC in Hong Kong is at 30th Floor, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong. The board of directors of ITC comprises Dr. Charles Chan, Ms. Chau, Mr. Chan Kwok Chuen, Augustine, Mr. FY Chan and Mr. Alan Chan as executive directors, and Mr. Chuck, Winston Calptor, Mr. Lee Kit Wah and Hon. Shek Lai Him, Abraham, *SBS, JP* as independent non-executive directors.

(d) The registered office of PYI is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The principal place of business of PYI in Hong Kong is at 33rd Floor, Paul Y. Centre, 51 Hung To Road, Kwun Tong, Kowloon, Hong Kong. The board of directors of PYI comprises Mr. Lau Ko Yuen, Tom and Mr. Alan Chan as executive directors, Dr. Charles Chan as non-executive director, Mr. Alan Chan as alternate director to Dr. Charles Chan, and Mr. Chan Shu Kin, Mr. Leung Po Wing, Bowen Joseph, *GBS, JP* and Mr. Li Chang An as independent non-executive directors.

(e) The addresses of Dr. Charles Chan, Ms. Ng, Ms. Chau and Mr. Alex Lai are at 30th Floor, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong.

(f) The addresses of Mr. FY Chan and Mr. Alan Chan are at Unit 3102, 31st Floor, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong.

(g) The registered office of Optima Capital is at Suite 1501, 15th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong.

(h) The registered office of Anglo Chinese Corporate Finance, Limited, the financial adviser to Selective Choice, is at 40th Floor, Two Exchange Square, 8 Connaught Place, Central, Hong Kong.

(i) The registered office of First Shanghai is at 19th Floor, Wing On House, 71 Des Voeux Road Central, Hong Kong.

(j) The English texts of this Offer Document, the form of proxy for the SGM and the Form of Acceptance shall prevail over their respective Chinese texts.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours on any weekday (public holidays excepted) at (i) 31st Floor, Paul Y. Centre, 51 Hung To Road, Kwun Tong, Kowloon, Hong Kong; (ii) on the website of the Securities and Futures Commission of Hong Kong at www.sfc.hk; and (iii) the website of the Company at www.itcproperties.com, from the date of this Offer Document for so long as the Offer remains open for acceptance:

(a) the memorandum of association and the bye-laws of the Company;

(b) the memorandum and articles of association of Selective Choice;

(c) the letter from the Board, the text of which is set out on pages 7 to 20 of this Offer Document;

(d) the letter from Optima Capital, the text of which is set out on pages 21 to 31 of this Offer Document;

(e) the letter of recommendation from the Independent Board Committee, the text of which is set out on pages 32 to 33 of this Offer Document;

(f) the letter of advice from First Shanghai, the text of which is set out on pages 34 to 67 of this Offer Document;

(g) the annual reports of the Company for each of the two years ended 31st March, 2010 and 2011;

(h) the interim report of the Company for the six months ended 30th September, 2011;

(i) the accountant's report on the unaudited pro forma financial information of the Group issued by DTT, the text of which is set out in Appendix III to this Offer Document;

(j) the valuation report on the properties held by the Group from RHL, the text of which is set out in Appendix IV to this Offer Document;

(k) the valuation report on the Loan Notes from RHL, the text of which is set out in Appendix V to this Offer Document;

(l) the report from Optima Capital on the valuation of the Loan Notes, the text of which is set out in Appendix V to this Offer Document;

(m) the material contracts referred to in the paragraph headed "Material contracts" in this appendix;

(n) the letters of consent referred to in the paragraph headed "Experts and consents" in this appendix; and

(o) the irrevocable letters of undertaking given by Selective Choice, Dr. Charles Chan, Ms. Ng, Ms. Chau, Mr. FY Chan, Mr. Alan Chan, Mr. Alex Lai, Mr. Cheung Hon Kit, Mr. Cheung Chi Kit, Mr. Ma Chi Kong, Karl, Mr. Wong Chi Keung, Alvin, Mr. Kwok La Lap, Alva, Ms. Yan Ha Hung, Loucia, Mr. Wong Lai Shun, Benny and Mr. Liu Hai Long.

德祥地產集團有限公司*

ITC PROPERTIES GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code : 199)

NOTICE IS HEREBY GIVEN that a special general meeting of **ITC Properties Group Limited** (the "**Company**") will be held at Shop B27, Basement, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong on Friday, 20th January, 2012 at 10:00 a.m. for the purpose of considering and, if thought fit, passing with or without modifications the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

"**THAT**

1. the conditional cash offer (the "**Offer**") by Optima Capital Limited on behalf of the Company to repurchase up to 260,000,000 shares of nominal value of HK$0.01 each in the issued share capital of the Company (the "**Shares**") held by the shareholders of the Company (the "**Shareholders**") at a price of HK$2.60 per Share to be paid as to HK$0.60 by cash and as to the balance of HK$2.00 by the Company issuing a loan note in denomination of HK$2.00 which is due to mature on the day falling 36 months after the date of its issue and bearing interest at a fixed rate of 6% per annum payable annually in arrears on 31st December with the last payment to be made on the maturity date, subject to the terms and conditions set out in the offer document despatched to the Shareholders dated 3rd January, 2012 together with the accompanying form of acceptance (a copy of which marked "A" has been produced to the meeting and initialled by the chairman of the meeting for the purpose of identification) be approved, without prejudice and in addition to the existing authority of the Company under the general mandate to repurchase Shares granted by the Shareholders at the annual general meeting of the Company held on 18th August, 2011, and that any one of the directors of the Company be and is hereby authorised to execute all such documents with or without amendments and to do all such acts and things as he considers desirable, necessary or expedient in connection with or to give effect to any matters relating to or in connection with the Offer including, without limitation, completion of the repurchase of the Shares pursuant to the Offer; and

* *For identification purpose only*

2. the waiver (the "**Whitewash Waiver**") granted or to be granted by the executive director (the "**Executive**") of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong or any delegate of the Executive in respect of any obligation under The Hong Kong Code on Takeovers and Mergers (the "**Takeovers Code**") of Selective Choice Investments Limited and parties acting in concert (as defined in the Takeovers Code) with it to make a mandatory general offer for all the issued Shares under Rule 26 of the Takeovers Code and comparable offers under Rule 13 of the Takeovers Code for all the other securities convertible or exchangeable into new Shares other than those already owned or agreed to be acquired by them which may, but for the Whitewash Waiver, arise upon completion of the Offer be and is hereby approved, and that any one of the directors of the Company be and is hereby authorised to execute all such documents with or without amendments and to do all such acts and things as he considers desirable, necessary or expedient in connection with or to give effect to any matters relating to or in connection with the Whitewash Waiver."

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

Hong Kong, 3rd January, 2012

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 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, 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. 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