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

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



德祥地產集團有限公司*

ITC PROPERTIES GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code : 199)

MAJOR TRANSACTIONS –
(i) SECOND SUPPLEMENTAL AGREEMENT
IN RELATION TO
THE DISPOSAL OF INTEREST IN
PARAGON WINNER COMPANY LIMITED;
AND
(ii) ADVANCE TO MILLION CUBE LIMITED

A notice convening the special general meeting of the Company (the “SGM”) to be held at Gemini Room, 33rd Floor, Rosedale on the Park, 8 Shelter Street, Causeway Bay, Hong Kong on Monday, 14th May, 2012 at 11:00 a.m. is set out on pages SGM-1 to SGM-3 of this circular. A form of proxy for use at the SGM is also enclosed.

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

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DEFINITIONS

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

“April Amount”	an amount of not less than HK\$30 million to be paid by the Purchaser to the Vendor in cash on or before 30th April, 2012
“Asia Union”	Asia Union Investments Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Stream Ahead
“associate(s)”	has the same meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day (other than Saturday, Sunday and other general holidays in Hong Kong and/or the PRC and any day on which a tropical cyclone warning no. 8 or above or a “black” rainstorm warning signal is hoisted or remains in effect between 9:00 a.m. and 5:00 p.m.) on which the licensed banks in Hong Kong and the PRC are generally open for business
“BVI”	the British Virgin Islands
“Company”	ITC Properties Group Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange (Stock Code : 199)
“Completion”	completion of the sale and purchase of the Sale Shares and the Sale Loan in accordance with the terms and conditions of the Disposal Agreement (as further amended by the Second Supplemental Agreement)
“Completion Date”	the date on which Completion takes place
“Completion Interest”	the outstanding interest on the April Amount from 5th December, 2011 to the date of payment and the outstanding interest on the remaining sum of the Consideration (i.e. HK\$225.7 million less the April Amount) from 5th December, 2011 to the Completion Date, all at the rate of 10% per annum

DEFINITIONS

“connected person(s)”	has the same meaning ascribed thereto under the Listing Rules
“Consideration”	the aggregate consideration for the Sale Shares and the Sale Loan
“Director(s)”	the director(s) of the Company
“Disposal Agreement”	the sale and purchase agreement dated 21st July, 2010 (as amended by the First Supplemental Agreement) entered into between the Vendor and the Purchaser in relation to the sale and purchase of the Sale Shares and the Sale Loan
“Donson”	Donson (International) Development Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Paragon Winner
“Exchange Rate”	the fixed exchange rate of HK\$1 to RMB0.871 as agreed in the Disposal Agreement for payment of the Consideration
“Exercise Period”	the period commencing from the first anniversary date of the Shareholders’ Agreement and ending on the fifth anniversary date of the Shareholders’ Agreement
“First Supplemental Agreement”	the supplemental agreement to the Disposal Agreement dated 16th May, 2011 entered into between the Vendor and the Purchaser
“Golf JV”	Sanya Yalong Bayview Golf Garden Co., Ltd. (三亞亞龍灣風景高爾夫文化公園有限公司), a company incorporated in the PRC which is owned as to 80% by Donson
“Golf Resort”	Sanya Sun Valley Golf Resort at Bohou Village, Yalong Bay, National Resort Area, Sanya City, Hainan Province, the PRC
“Group”	the Company and its subsidiaries
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“Hotel JV”	Sanya Yalong Bay Sun Valley Hotel Co., Ltd. (三亞亞龍灣紅峽谷度假酒店有限公司), a company incorporated in the PRC which is owned as to 80% by Asia Union and 20% by the Golf JV respectively
“Latest Practicable Date”	24th April, 2012, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Lender”	ITC Golf & Leisure Group Limited, a company incorporated in the BVI, an indirect wholly-owned subsidiary of the Company and an intermediate holding company of the Vendor
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan”	the loan to be advanced by the Lender to the Purchaser for settlement of the remaining balance of the Consideration and the Completion Interest of not more than HK\$210 million in aggregate
“Loan Agreement”	the loan agreement to be entered into between the Lender and the Purchaser in respect of the Loan on Completion
“Macau”	the Macau Special Administrative Region of the PRC
“MOU”	the memorandum of understanding dated 5th December, 2011 entered into between the Vendor and the Purchaser
“Option Loans”	all of the loans owing by the Paragon Winner Group to the Vendor, its subsidiaries and affiliates at the time of the exercise of the Put Option
“Option Shares”	all of the shares in Paragon Winner held by the Vendor at the time of the exercise of the Put Option
“Paragon Winner”	Paragon Winner Company Limited, a company incorporated in the BVI and a wholly-owned subsidiary of the Vendor
“Paragon Winner Group”	Paragon Winner and its subsidiaries

DEFINITIONS

“Pledged Loans”	the amount of the shareholders’ loan due by Paragon Winner to the Purchaser to be pledged as security for the Purchaser’s obligation under the Loan Agreement, details of which are set out in the section headed “The Loan Agreement” of the letter from the Board in this circular
“Pledged Shares”	the shares of Paragon Winner to be pledged as security for the Purchaser’s obligation under the Loan Agreement, details of which are set out in the section headed “The Loan Agreement” of the letter from the Board in this circular
“PRC”	the People’s Republic of China, excluding Hong Kong, Macau and Taiwan for the purpose of this circular
“PRC Companies”	together, the Golf JV and the Hotel JV
“Prime Rate”	the rate of interest per annum from time to time quoted by The Hongkong and Shanghai Banking Corporation Limited as its prime or best lending rate for Hong Kong dollars
“Purchaser”	Million Cube Limited, a company incorporated in the BVI with limited liability
“Put Option”	the put option to be granted under the Shareholders’ Agreement by the Purchaser to the Vendor and exercisable by the Vendor at any time during the Exercise Period to require the Purchaser to purchase all of the Option Shares and the Option Loans according to the terms set out in the Shareholders’ Agreement
“Remaining Group”	the Company and its subsidiaries immediately upon Completion
“Sale Loan”	shareholder’s loan to Paragon Winner to be transferred/assigned to the Purchaser together with all unpaid interests accrued thereon as at Completion
“Sale Percentage”	the percentage of shareholding in and shareholder’s loan due by Paragon Winner to be transferred/assigned to the Purchaser on Completion

DEFINITIONS

“Sale Shares”	the shares of US\$1 each in the capital of Paragon Winner to be acquired by the Purchaser as at Completion
“Sanya Bohou”	三亞博后經濟開發有限公司 (Sanya Bohou Economic Development Co., Ltd.)
“Second Supplemental Agreement”	the supplemental agreement dated 2nd April, 2012 entered into between the Vendor and the Purchaser in relation to the amended terms of the Disposal Agreement
“Settled Consideration”	the aggregate amount already paid by the Purchaser to the Vendor, which is approximately HK\$532.3 million (excluding interest paid of approximately HK\$45.1 million up to 30th December, 2011) at the date of the Second Supplemental Agreement
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened and held for the Shareholders to consider and, if thought fit, approve the Second Supplemental Agreement, the Loan Agreement and the transactions contemplated thereunder
“Share(s)”	ordinary share(s) of the Company of HK\$0.01 each
“Shareholder(s)”	holder(s) of the Share(s)
“Shareholders’ Agreement”	the shareholders’ agreement to be entered into among the Vendor, the Purchaser and Paragon Winner on Completion
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Stream Ahear”	Stream Ahear International Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of Paragon Winner
“Vendor”	Everight Investment Limited, a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company

DEFINITIONS

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.
“m ² ” or “sq. m.”	square metre(s)

In this circular, save as otherwise provided, amounts in RMB are converted into HK\$ on the basis of HK\$1 = RMB0.81. The conversion rate is for illustration purpose only and should not be taken as a representation that RMB could actually be converted into HK\$ at that rate or at all.

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

LETTER FROM THE BOARD



德祥地產集團有限公司*
ITC PROPERTIES GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code : 199)

Executive Directors:

Mr. Cheung Hon Kit (*Chairman*)
Mr. Chan Fut Yan (*Managing Director*)
Mr. Cheung Chi Kit
Mr. Chan Yiu Lun, Alan

Registered office:

Clarendon House
Church Street
Hamilton HM 11
Bermuda

Non-executive Director:

Mr. Ma Chi Kong, Karl

Principal place of business in Hong Kong:

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

Independent non-executive Directors:

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

26th April, 2012

To the Shareholders and, for information only,

the holders of convertible notes and loan notes of the Company

Dear Sir or Madam,

**MAJOR TRANSACTIONS –
(i) SECOND SUPPLEMENTAL AGREEMENT
IN RELATION TO
THE DISPOSAL OF INTEREST IN
PARAGON WINNER COMPANY LIMITED;
AND
(ii) ADVANCE TO MILLION CUBE LIMITED**

INTRODUCTION

The Company announced that after trading hours of the Stock Exchange on 2nd April, 2012, the Vendor, being an indirect wholly-owned subsidiary of the Company, entered in the Second Supplemental Agreement with the Purchaser in relation to the disposal by the Vendor of the Sale Shares and the Sale Loan in accordance with the intention set out in the MOU to further amend the terms of the Disposal Agreement.

* For identification purpose only

LETTER FROM THE BOARD

Under the Second Supplemental Agreement, the adjustment mechanism to the Sale Percentage is introduced and pursuant to which the Sale Percentage shall be reduced to 40% if the Purchaser is not able to pay the April Amount.

On condition that the Purchaser pays the April Amount, the Lender and the Purchaser shall on Completion enter into the Loan Agreement pursuant to which the Lender will provide the Loan to the Purchaser for the payment of the balance of the Consideration (less the April Amount paid) together with the Completion Interest to the Vendor to facilitate Completion. Further details of the Loan Agreement are set out in the section headed "The Loan Agreement" below. Up to the Latest Practicable Date, the April Amount has not been received by the Vendor.

Upon Completion, the Vendor, the Purchaser and Paragon Winner shall enter into the Shareholders' Agreement to regulate the relationship among themselves in respect of the affairs of, and their dealings with, the Paragon Winner Group after Completion (including, without limitation, its operations, management and business). Further details of the Shareholders' Agreement are set out in the section headed "The Shareholders' Agreement" below.

The possible reduction in the Sale Percentage to 40% pursuant to the Second Supplemental Agreement and the provision of the Loan, which were not contemplated in the Disposal Agreement, constitute major transactions for the Company which are therefore subject to the Shareholders' approval requirements under Chapter 14 of the Listing Rules. The purpose of this circular is to provide you with, among other things, details of the Second Supplemental Agreement and the Loan Agreement, the financial information of the Group, the notice of the SGM and other information required under the Listing Rules.

BACKGROUND OF THE DISPOSAL AGREEMENT

The Vendor, being an indirect wholly-owned subsidiary of the Company, entered into the Disposal Agreement with the Purchaser on 21st July, 2010. Pursuant to the Disposal Agreement, the Vendor conditionally agreed to sell and the Purchaser conditionally agreed to purchase a 65% shareholding in Paragon Winner and 65% of all amounts which are owed by the Paragon Winner Group to the Vendor as at Completion. The aggregate Consideration (subject to adjustments) was RMB650.0 million which was payable in Hong Kong dollars of approximately HK\$746.3 million translated at the Exchange Rate. The transaction contemplated under the Disposal Agreement constituted a major transaction under Chapter 14 of the Listing Rules and approval of the Shareholders was obtained at a special general meeting of the Company held on 26th August, 2010.

As the Purchaser fell behind the payment schedule as stipulated in the Disposal Agreement and after negotiations between the parties, the Vendor and the Purchaser entered into the First Supplemental Agreement on 16th May, 2011 to revise certain terms in the Disposal Agreement in relation to the payment schedule and to defer the completion date of the Disposal Agreement to 30th June, 2011. A grace period up to and including 11th November, 2011 was granted by the Vendor to the Purchaser on 1st November, 2011 for the parties to negotiate on revising and amending the terms of the Disposal Agreement. The parties then entered into the MOU on 5th December, 2011 which covered, among other things, the rescheduled payment dates for the outstanding balance of the Consideration and the possible amendments to be made on the Disposal Agreement.

LETTER FROM THE BOARD

THE SECOND SUPPLEMENTAL AGREEMENT

The principal terms of the Second Supplemental Agreement are set out below:

Date: 2nd April, 2012

Parties:

(i) Vendor: Everight Investment Limited

(ii) Purchaser: Million Cube Limited

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons. The principal activity of the Purchaser is investment holding and to the best of the Directors' knowledge, information and belief, investment of the Purchaser mainly includes property projects in the PRC.

Assets to be disposed of:

If the Purchaser pays the April Amount on or before 30th April, 2012, the assets to be disposed of will comprise (i) the Sale Shares, being sixty-five (65) shares of US\$1 each in the share capital of Paragon Winner, representing 65% of the entire issued share capital of Paragon Winner as at the date of the Second Supplemental Agreement and on Completion; and (ii) the Sale Loan, representing 65% of the loan due by Paragon Winner to the Vendor on Completion, which remain the same as those contemplated in the Disposal Agreement.

If the Purchaser fails to pay the April Amount on or before 30th April, 2012, the assets to be disposed of will comprise (i) the Sale Shares, being forty (40) shares of US\$1 each in the share capital of Paragon Winner, representing 40% of the entire issued share capital of Paragon Winner as at the date of the Second Supplemental Agreement and on Completion; and (ii) the Sale Loan, representing 40% of the loan due by Paragon Winner to the Vendor on Completion.

The principal amount of the Sale Loan as at the Latest Practicable Date is approximately HK\$107.7 million if the Sale Percentage is 65% and approximately HK\$66.2 million if the Sale Percentage is 40%.

Consideration:

Pursuant to the Disposal Agreement, the Consideration for the Sale Shares and Sale Loan should be the aggregate of (i) RMB650.0 million which is payable in Hong Kong dollars of approximately HK\$746.3 million translated at the Exchange Rate; and (ii) an amount equivalent to 65% of all additional loans which were advanced by the Vendor to Paragon Winner and/or by two fellow subsidiaries of Paragon Winner to the PRC Companies from the date of the Disposal Agreement up to Completion which is approximately HK\$11.7 million as at the Latest Practicable Date. Based on the above, and assuming the Sale Percentage remains at 65%, the total amount of the Consideration is approximately HK\$758.0 million. In addition, the Purchaser

LETTER FROM THE BOARD

shall also pay to the Vendor the Completion Interest. Assuming that the April Amount is HK\$30 million and Completion will take place no later than 29th June, 2012, the Completion Interest is estimated to be approximately HK\$10.9 million.

Up to the date of the Second Supplemental Agreement, the Settled Consideration is approximately HK\$532.3 million (excluding interest paid of approximately HK\$45.1 million up to 30th December, 2011). The balance of the Consideration, less the April Amount paid, and the Completion Interest shall be financed by the Loan. Details of the Loan are set out in the section headed "The Loan Agreement" below.

If the Purchaser fails to pay the April Amount and the Sale Percentage is reduced to 40%, the Consideration shall instead be the Settled Consideration.

The Company intends to apply the remaining balance of the Consideration including the April Amount as the Group's general working capital.

Conditions precedent:

All conditions precedent for Completion as set out in the Disposal Agreement have been fulfilled. Pursuant to the Second Supplemental Agreement, Completion is conditional upon the fulfilment of the following additional conditions:

- (i) the approval by the Shareholders (other than those who are required to abstain from voting under the Listing Rules or the applicable laws, rules and regulations, if required) of the Second Supplemental Agreement including the provision of the Loan by the Lender to the Purchaser and all other transactions contemplated under the Second Supplemental Agreement at the SGM; and
- (ii) the compliance by the Vendor and/or the Company of any relevant requirements under the Listing Rules or otherwise of the Stock Exchange (if any) which require compliance in relation to the Second Supplemental Agreement.

Neither of the above conditions is capable of being waived. If the conditions are not fulfilled on or before 13th July, 2012 or if for whatever reason Completion does not take place pursuant to the Disposal Agreement (as amended by the Second Supplemental Agreement), the Vendor shall refund to the Purchaser an amount of HK\$315 million, being the payment made by the Purchaser after the date of the MOU up to the date of the Second Supplemental Agreement, together with the April Amount (if the Purchaser has paid the April Amount) without any interest but all payments made by the Purchaser towards the Consideration prior to the date of the MOU (i.e. approximately HK\$255.6 million) shall be forfeited to the Vendor (interest paid on overdue amount of the Consideration of approximately HK\$6.8 million belongs to the Vendor in any event) and the Disposal Agreement (as further amended by the Second Supplemental Agreement) shall be terminated.

LETTER FROM THE BOARD

Completion:

Completion shall take place on the third Business Day after the fulfilment of the above conditions or such other date as the Vendor and the Purchaser may agree in writing.

The Vendor, the Purchaser and Paragon Winner will enter into the Shareholders' Agreement on Completion. Details of the amendments to the Shareholders' Agreement in respect of the provisions to cater for the Sale Percentage being less than 65% and occurrence of event of default under the Loan Agreement are set out in the section headed "The Shareholders' Agreement" below.

THE LOAN AGREEMENT

On condition that the Purchaser pays the April Amount, the Lender and the Purchaser will enter into the Loan Agreement upon Completion, the principal terms of which are as follows:

- Lender:** ITC Golf & Leisure Group Limited, an indirect wholly-owned subsidiary of the Company and an intermediate holding company of the Vendor.
- Borrower:** The Purchaser.
- Loan amount:** A sum equal to approximately HK\$225.7 million plus the Completion Interest but less the April Amount and in any event shall not be more than HK\$210 million.
- Purpose:** The Loan shall be used by the Purchaser to finance the payment of the remaining balance of the Consideration and the Completion Interest of not more than HK\$210 million.
- Interest:** 10% per annum payable on maturity, which is the same as the rate for calculating the Completion Interest and is determined after arm's length negotiations between the Lender and the Purchaser.
- Maturity:** The Loan shall be fully repaid within three (3) months from the date of the Loan Agreement and in any event on or before 31st July, 2012.

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Security: The Purchaser shall execute in favour of the Lender on Completion a share charge deed in respect of the Pledged Shares, incorporating an assignment of the Pledged Loans as security of the Purchaser's obligations under the Loan Agreement. If the April Amount equals to HK\$30 million, the Pledged Shares shall be twenty (20) shares in Paragon Winner (representing 20% of the entire issued share capital of Paragon Winner) and the Pledged Loans shall be approximately HK\$34 million (representing approximately 20% of all the shareholders' loans due by Paragon Winner).

If the April Amount paid by the Purchaser is greater than HK\$30 million, the Pledged Shares can be reduced by one (1) share in Paragon Winner (representing 1% of the entire issued share capital of Paragon Winner) and the Pledged Loans can be reduced by HK\$1.6 million (representing approximately 1.49% of the shareholder loan due by Paragon Winner to the Purchaser and approximately 1% of all the shareholders' loans due by Paragon Winner) for every additional HK\$10 million paid in excess of HK\$30 million. However, in any event, the Pledged Shares shall be not less than sixteen (16) shares in Paragon Winner (representing 16% of the entire issued share capital of Paragon Winner) and the Pledged Loans shall not be less than HK\$27 million (representing approximately 25.1% of the shareholders' loan due by Paragon Winner to the Purchaser and approximately 16% of all the shareholders' loans due by Paragon Winner).

If the Purchaser defaults in repayment of the Loan, the Lender shall be entitled to forfeit the Pledged Shares and the Pledged Loans and transfer and assign the same to the Vendor forthwith such that the Vendor shall as a result in aggregate own not less than 51% of the entire issued share capital of and the corresponding percentage of all shareholders' loans due by Paragon Winner.

In the event that any of the Pledged Shares and the Pledged Loans are transferred and assigned to the Vendor due to the Purchaser's default in repayment of the Loan, the Company will make further announcement to update the Shareholders and the public the final equity interest of Paragon Winner held by the Group.

LETTER FROM THE BOARD

THE SHAREHOLDERS' AGREEMENT

Immediately upon Completion, the Vendor, the Purchaser and Paragon Winner will enter into the Shareholders' Agreement to regulate the relationship among themselves in respect of the affairs of, and their dealings with, the Paragon Winner Group after Completion (including, without limitation, its operations, management and business). The Shareholders' Agreement contains provisions to cater for the different Sale Percentage and the non-repayment of the Loan by the Purchaser which are summarised as below:

	Sale Percentage of	
	65%	40%
	(in the event the Purchaser has paid the April Amount on or before 30th April, 2012) (<i>Note</i>)	(in the event the Purchaser has not paid the April Amount on or before 30th April, 2012)
Board composition of the Paragon Winner Group:	There shall be three (3) directors maintained in the board of Paragon Winner. Two (2) of the directors are to be designated by the Purchaser and one (1) of the directors is to be designated by the Vendor. The chairman of the board of Paragon Winner shall be designated by the Purchaser. The Vendor is also entitled to nominate one (1) director to each subsidiary of the Paragon Winner Group.	There shall be three (3) directors maintained in the board of Paragon Winner. Two (2) of the directors are to be designated by the Vendor and one (1) of the directors is to be designated by the Purchaser. The chairman of the board of Paragon Winner shall be designated by the Vendor. The Purchaser is also entitled to nominate one (1) director to each subsidiary of the Paragon Winner Group.
Put Option:	The Vendor has the right to require the Purchaser to purchase the Option Shares and the Option Loans at any time during the Exercise Period, which commences from the first anniversary to the fifth anniversary of the Shareholders' Agreement.	Not applicable.

LETTER FROM THE BOARD

Sale Percentage of

65%

(in the event the Purchaser has paid the April Amount on or before 30th April, 2012) (*Note*)

40%

(in the event the Purchaser has not paid the April Amount on or before 30th April, 2012)

Shareholders' further financing:

There is no obligation on either shareholder to provide further financing to the Paragon Winner Group.

If the financial resources of the Paragon Winner Group shall at any time be insufficient to satisfy its working capital requirement as determined by the board of Paragon Winner, the board of Paragon Winner may resolve to require the shareholders to provide further shareholders' loans to Paragon Winner which shall be contributed according to the respective shareholdings of the Vendor and the Purchaser in Paragon Winner.

If a shareholder shall default in contributing its portion, the non-defaulting shareholder shall have the right, not an obligation, to advance to Paragon Winner the defaulted portion. In case the non-defaulting shareholder has advanced the defaulted portion then, inter alia:

- (i) the defaulting shareholder shall pay interest to the non-defaulting shareholder on the defaulted portion so advanced by the non-defaulting shareholder at Prime Rate plus 5% per annum; and

LETTER FROM THE BOARD

Sale Percentage of

65%

(in the event the Purchaser has paid the April Amount on or before 30th April, 2012) (*Note*)

40%

(in the event the Purchaser has not paid the April Amount on or before 30th April, 2012)

Shareholders' further financing:

- (ii) the non-defaulting shareholder may require (a) nominees of the defaulting shareholder to resign as directors of each member of the Paragon Winner Group; and (b) Paragon Winner to issue new shares to the non-defaulting shareholder to capitalise the defaulted portion such that the defaulting shareholder's shareholding in Paragon Winner shall be reduced by a shareholding percentage calculated as follows:

$$A/B \times 100$$

where

"A" is the amount of the defaulted portion thereof advanced by the non-defaulting shareholder; and

"B" is the total amount of shareholders' loans advanced by all shareholders of Paragon Winner.

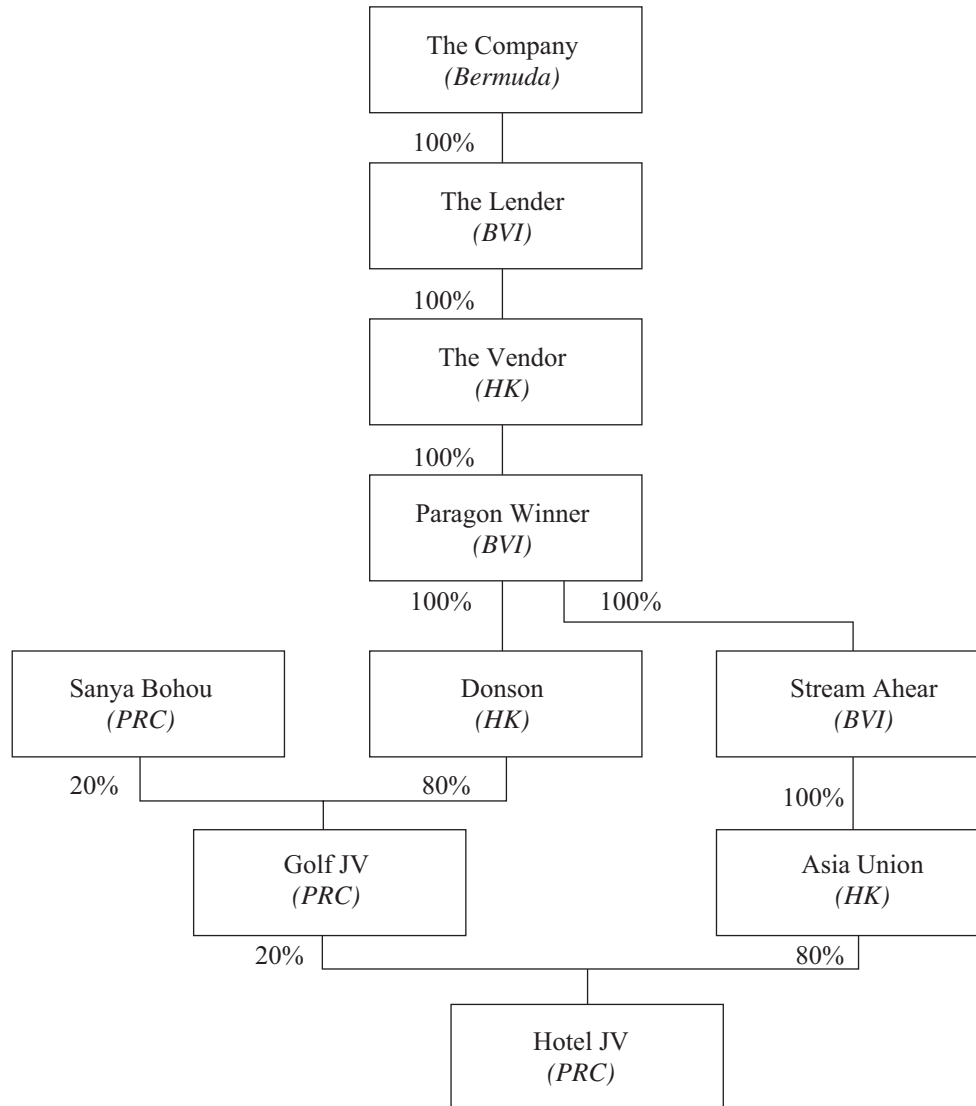
Note: where the Purchaser defaults in completion of the purchase of the Option Shares and the Option Loans if the Vendor exercises the Put Option or an event of default under the Loan Agreement has occurred, the same provisions of the Shareholders' Agreement for a Sale Percentage of 40% shall apply.

LETTER FROM THE BOARD

STRUCTURE OF THE PARAGON WINNER GROUP IMMEDIATELY BEFORE AND AFTER COMPLETION

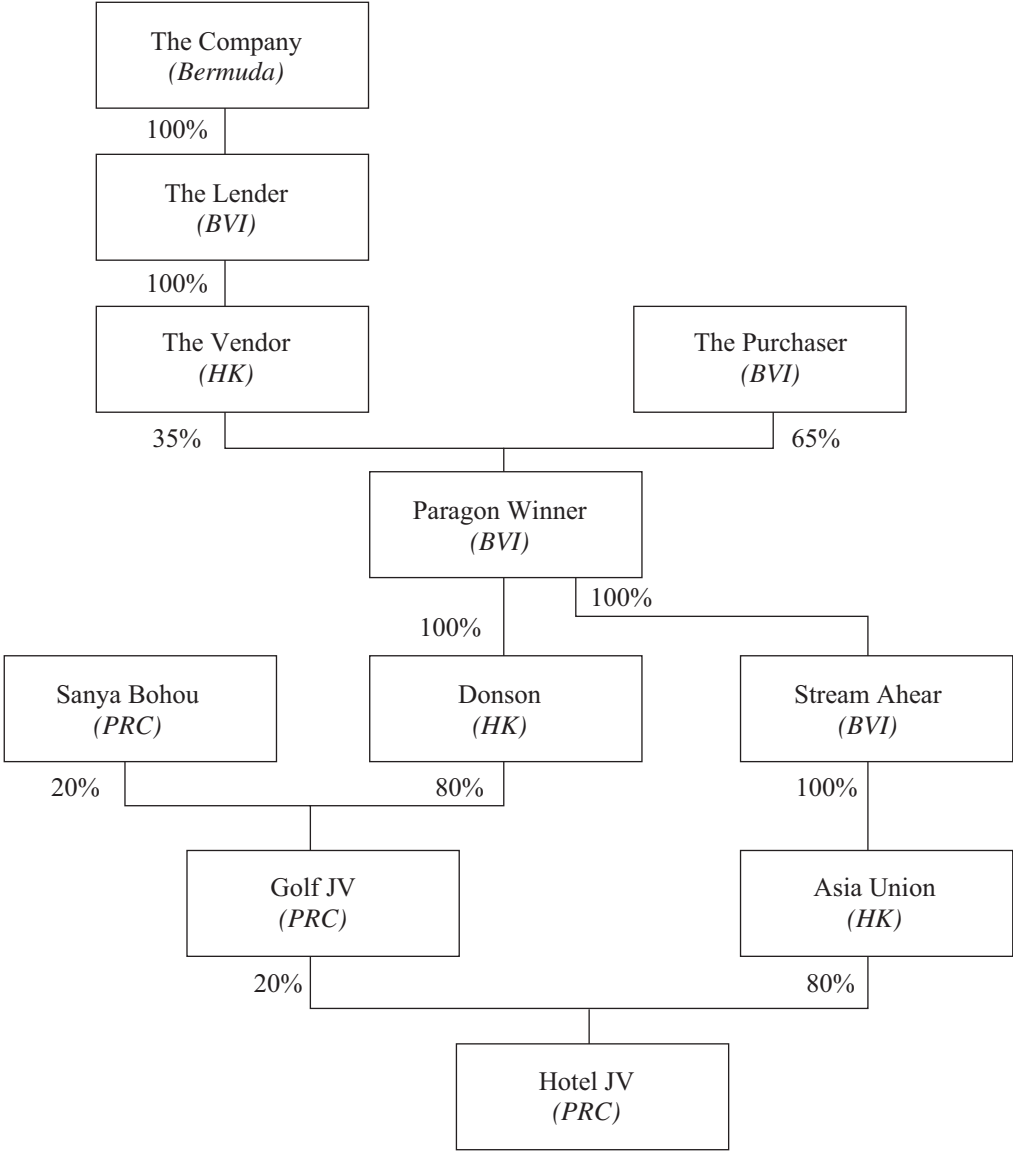
The organisational charts illustrating the structure of the Paragon Winner Group immediately before and after Completion are set out below:

As at the Latest Practicable Date and immediately before Completion



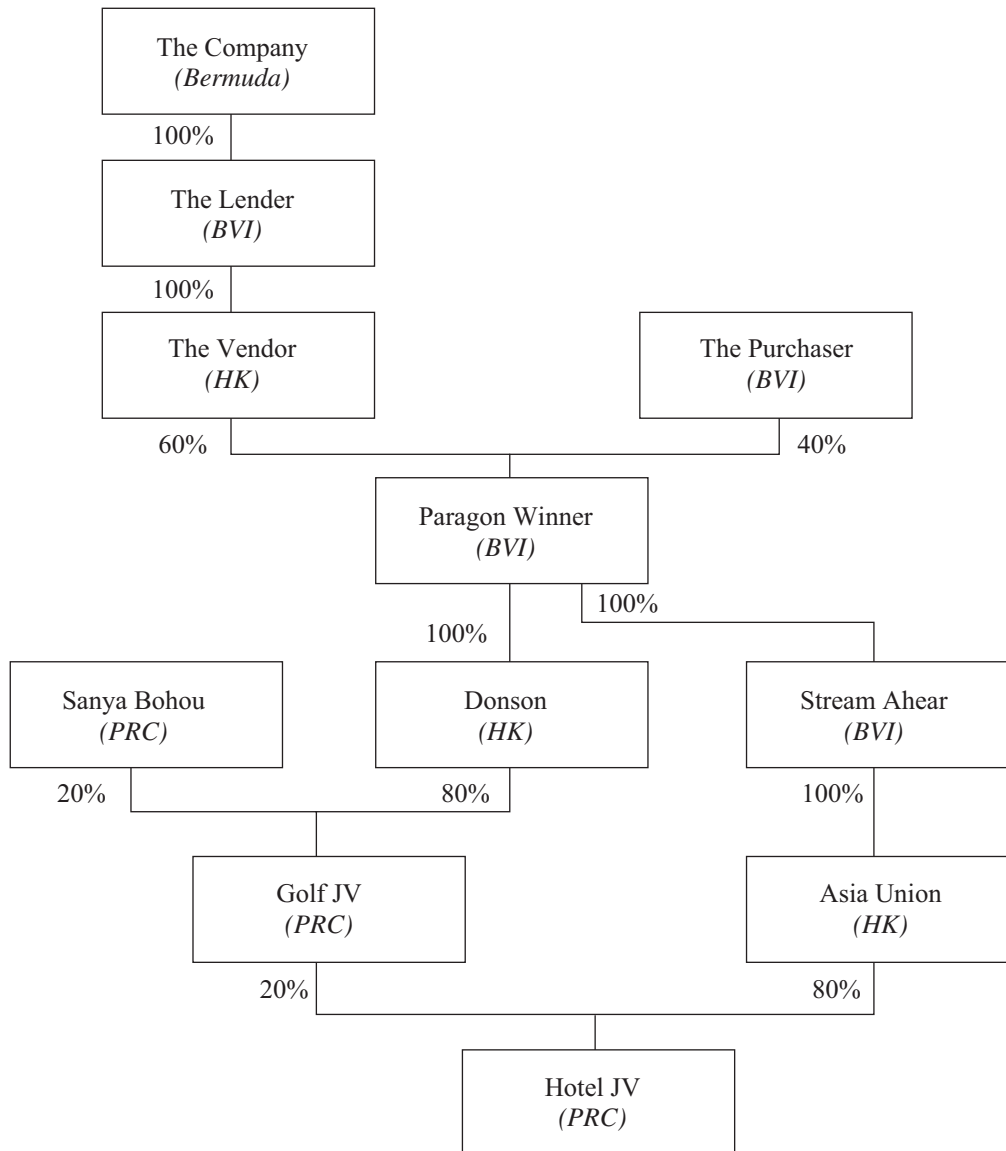
LETTER FROM THE BOARD

After Completion – Sale Percentage of 65%



LETTER FROM THE BOARD

After Completion – Sale Percentage of 40%



Note: Places in parentheses represent places of incorporation.

INFORMATION ON THE PARAGON WINNER GROUP

Paragon Winner, Donson, Stream Ahear and Asia Union are special purpose vehicles established for the purpose of holding the Golf JV and the Hotel JV. As at the Latest Practicable Date, the Golf JV is owned as to 80% by Donson and 20% by Sanya Bohou, while the Hotel JV is owned as to 80% by Asia Union and 20% by the Golf JV respectively. Paragon Winner therefore holds an 80% and 96% effective interests in the Golf JV and the Hotel JV respectively through Donson, Stream Ahear and Asia Union.

LETTER FROM THE BOARD

The Golf JV is involved in the operation of the Golf Resort, and development and operation of golf or hotel related properties over various parcels of land with an aggregate site area of approximately 2,580,192.90 m² in Yalong Bay, Sanya, the PRC. The Hotel JV intends to develop and operate the planned hotel development over a parcel of land with a site area of approximately 192,270.45 m² in Yalong Bay, Sanya, the PRC up to 31st January, 2050 and it has not carried on any other business since its incorporation. The Golf Resort is situated at Bohou Village, Yalong Bay, National Resort Area, Sanya City, Hainan Province, the PRC and currently operates a 27-hole golf course and a clubhouse with food and beverage outlet and gift shop.

Set out below is the unaudited consolidated financial information of the Paragon Winner Group for the two years ended 31st March, 2010 and 2011 respectively prepared in accordance with the Hong Kong Financial Reporting Standards:

	For the year ended 31st March,	
	2011	2010
	<i>HK\$' million</i>	<i>HK\$' million</i>
Loss before taxation	25.0	19.6
Loss after taxation	25.0	19.6
		At 31st March,
		2011
		<i>HK\$' million</i>
Net assets		12.2

If the Purchaser pays the April Amount, the Sale Percentage will be 65% and the shareholding of the Company in Paragon Winner will be reduced to 35%. In such case, immediately after Completion, Paragon Winner will cease to be a subsidiary of the Company and become an associated company of the Company. Accordingly, the Group will equity account for the results of Paragon Winner after Completion.

If the Purchaser fails to pay the April Amount, the Sale Percentage will be reduced to 40% and Paragon Winner will become a non wholly-owned subsidiary of the Company. Accordingly, the Group will continue to consolidate the results of Paragon Winner after Completion.

REASONS FOR THE SECOND SUPPLEMENTAL AGREEMENT AND THE LOAN AGREEMENT

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.

LETTER FROM THE BOARD

As disclosed in the announcement of the Company dated 3rd January, 2012, in accordance with the terms of the MOU and taking into account the amount of, and/or for account of, the Consideration paid by the Purchaser to the Vendor up to 3rd January, 2012, the parties intended to revise the Sale Percentage to 44.44%. However, the Purchaser is still eager to purchase a Sale Percentage of 65% and expects to be able to obtain adequate fund to pay in full the balance of the Consideration together with the Completion Interest on or before 31st July, 2012. Acknowledging the difficulties encountered by investors in obtaining financing for property projects in the PRC as a result of the administrative measures imposed by the PRC government on the real estate market and the PRC financial institutions, the Purchaser requested and the Lender agreed that on condition that the Purchaser pays the April Amount on or before 30th April, 2012, the Group will provide the Loan to the Purchaser to facilitate Completion. The Company has taken the following factors into consideration on accepting the Purchaser's request:

- (i) it is the intention of the Company to realise its investment in Paragon Winner and dispose of its controlling interest in Paragon Winner, with the Put Option to further dispose of the remaining non-controlling interest if the future investment return from the remaining 35% interest in Paragon Winner is lower than expected. Up to the date of the Second Supplemental Agreement, the Purchaser has paid an aggregate amount of approximately HK\$532.3 million (excluding interest paid of approximately HK\$45.1 million up to 30th December, 2011), which represents approximately 70.2% of the total amount of the Consideration under the Disposal Agreement. The Directors acknowledge the tightening of finance available in the PRC and consider that the Purchaser has shown its sincerity to make partial payments towards the Consideration despite some delays. The terms of the Second Supplemental Agreement (including the Loan Agreement) would enable the Group to proceed with the intended disposal of a controlling interest in Paragon Winner while providing flexibility to take back control over Paragon Winner in the event the Purchaser fails to meet its payment obligations;
- (ii) the Purchaser has paid HK\$315.0 million after the date of the MOU, such that the aggregate amount paid is HK\$577.4 million as at the Latest Practicable Date which is indicative of the Purchaser's willingness and ability to make the April Amount and to settle the Loan;
- (iii) as a condition to the Group's acceptance of the Purchaser's request for the Loan, the Purchaser will pay the April Amount of not less than HK\$30 million such that the aggregate amount paid by the Purchaser before the advance of the Loan will be not less than approximately HK\$562.3 million (excluding interest paid of approximately HK\$45.1 million), which represents approximately 74.2% of the total amount of the Consideration under the Disposal Agreement. The Loan is in substance a deferral of payment of a portion of the Consideration to facilitate Completion which will not utilise additional financial resources of the Group;
- (iv) if the Purchaser shall complete the acquisition of the Sale Shares and the Sale Loan at the Sale Percentage of 65%, it will bring to the Group additional cash inflow of approximately HK\$225.7 million together with the Completion Interest and the interest income accrued on the Loan;

LETTER FROM THE BOARD

- (v) if the Purchaser fails to pay the April Amount on or before 30th April, 2012, the Sale Percentage shall be 40% and the Consideration shall be approximately HK\$532.3 million, i.e. the aggregate amount paid by the Purchaser to the Vendor towards the Consideration up to the date of the Second Supplemental Agreement (excluding interest paid of approximately HK\$45.1 million). As disclosed in the announcement of the Company dated 3rd January, 2012, the Sale Percentage calculated in accordance with the formula set out in the MOU shall be 44.44%. In accordance with the revised terms under the Disposal Agreement and the amount paid by the Purchaser to the Vendor towards the Consideration up to the date of the Second Supplemental Agreement, the Sale Percentage would be 45.34%. The reduction in the Sale Percentage to 40% as contemplated under the Second Supplemental Agreement represents the compensation to the Vendor if the Purchaser shall fail to pay the April Amount;
- (vi) the Purchaser shall provide security to the Group for the Loan by way of the Pledged Shares and the Pledged Loans which, if the Purchaser shall default in repayment of the Loan and/or interest thereon, can be transferred and assigned to the Vendor such that the Vendor shall as a result in aggregate own not less than 51% of the entire issued share capital of and the corresponding percentage of all shareholders' loans due by Paragon Winner. In this respect, if the Purchaser shall fail to repay the Loan and interest thereon, the Group will take back the controlling interest in Paragon Winner. As a further protection to the Group's interest in Paragon Winner, the Shareholders' Agreement will be amended in a manner to reinforce the control of the Group in Paragon Winner; and
- (vii) based on the unaudited consolidated accounts of the Paragon Winner Group as at 31st January, 2012, the disposal of interest at the Sale Percentage of 65% is estimated to result in a gain of approximately HK\$523.5 million in the income statement of the Group upon Completion. The disposal of interest at the Sale Percentage of 40%, if the Purchaser fails to pay the April Amount, is expected to result in an estimated gain of approximately HK\$380.3 million which will not be accounted for in the income statement of the Group but will be recorded as an increase in reserve in the statement of financial position of the Group upon Completion. Shareholders and investors should note that the exact amount of gain on the disposal of the Sale Shares and the Sale Loan is to be determined with reference to the fair value attributable to the Sale Shares and the Sale Loan as at the Completion Date.

Based on the above, the Board considers that the entering into of the Second Supplemental Agreement and the Loan Agreement is in the interests of the Company and the Shareholders as a whole and the terms of the Second Supplemental Agreement and the Loan Agreement are fair and reasonable.

LETTER FROM THE BOARD

FINANCIAL EFFECTS ON THE GROUP

Earnings

Based on the unaudited consolidated accounts of the Paragon Winner Group as at 31st January, 2012, the disposal of interest at the Sale Percentage of 65% is estimated to result in a gain of approximately HK\$523.5 million. The estimated gain is calculated with reference to the net proceeds from the Consideration of approximately HK\$755.0 million less the carrying value attributable to the Sale Shares and the Sale Loan as at 31st January, 2012 included in the Group's accounts of approximately HK\$28.1 million and HK\$107.7 million respectively and the estimated provision for indemnities given by the Vendor under the Disposal Agreement of approximately HK\$95.7 million. Shareholders and investors should note that the exact amount of gain on the disposal of the Sale Shares and the Sale Loan is to be determined with reference to the fair value attributable to the Sale Shares and the Sale Loan as at the Completion Date.

Assuming that the April Amount is HK\$30 million and Completion will take place on 29th June, 2012, the provision of the Loan to the Purchaser will enable the Group to earn a net income of approximately HK\$1.8 million as well.

Assets and liabilities

If the Purchaser pays the April Amount, the Sale Percentage will be 65%. In such case, immediately after Completion, the effective shareholding of the Company in Paragon Winner will be reduced from 100% to 35% and thus Paragon Winner will cease to be a subsidiary of the Company and become an associated company of the Company. As such, the assets and liabilities of the Paragon Winner Group will be deconsolidated from the Group's future financial statements. The Company will equity account for the net asset and results of Paragon Winner after Completion. As disclosed above, it is estimated that the disposal involving a Sale Percentage of 65% will result in a gain of approximately HK\$523.5 million for the Group. Accordingly, the total assets of the Group would increase upon Completion, which is attributable to the receipts of the proceeds from the Disposal and the share of net assets of Paragon Winner after deconsolidation of Paragon Winner, while the total liabilities of the Group would decrease because of the exclusion of the liabilities of the Paragon Winner Group.

As a result of provision of the Loan to the Purchaser, the "loan receivable" of the Group is expected to increase by not more than HK\$210 million. The Loan shall be applied solely towards payment of the remaining balance of the Consideration payable and the Completion Interest by the Purchaser to the Vendor and the Group's consideration receivable together with the Completion Interest receivable under the Disposal Agreement (as amended by the Second Supplemental Agreement) will decrease by the same amount. The Loan will have no impact on the liabilities of the Group.

LETTER FROM THE BOARD

If the Purchaser fails to pay the April Amount, the Sale Percentage will be reduced to 40%. In such case, Paragon Winner will become a 60% owned subsidiary of the Company. Accordingly, the Group will continue to consolidate the results of Paragon Winner after Completion. In accordance with the prevailing accounting standards, no gain on disposal will be recognised in the income statement of the Group. In the case of a Sale Percentage of 40%, an estimated increase in net asset value of the Group of approximately HK\$380.3 million will be recorded as an increase in the Group's reserve. The estimated increase is calculated with reference to the net proceeds from the Consideration of approximately HK\$529.3 million, less the carrying value attributable to the Sales Shares and the Sales Loan as at 31st January, 2012 included in the Group's accounts of approximately HK\$17.3 million and HK\$66.2 million respectively and the estimated provision for indemnities given by the Vendor under the Disposal Agreement of approximately HK\$65.5 million. Shareholders and investors should note that the exact amount of the increase in reserve is to be determined with reference to the fair value attributable to the Sale Shares and the Sale Loan as at the Completion Date.

If the Purchaser defaults in repayment of the Loan, the Lender shall be entitled to forfeit the Pledged Shares and the Pledged Loans and transfer and assign the same to the Vendor forthwith such that the Vendor shall as a result in aggregate own not less than 51% of the entire issued share capital of and the corresponding percentage of all shareholders' loan due by Paragon Winner. Accordingly, the Group will consolidate the results of Paragon Winner. The Consideration then received in aggregate of not less than approximately HK\$562.3 million including the April Amount will be retained by the Group for its own use and benefit.

FINANCIAL AND TRADING PROSPECTS OF THE REMAINING GROUP

Following Completion, 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 20.7% growth in gross domestic product for 2011 and with low unemployment rate at 2.1% 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.

LETTER FROM THE BOARD

LISTING RULES IMPLICATIONS

The Company considers that there is no material variation to the terms of the disposal involving a Sale Percentage of 65% under the Disposal Agreement. On this basis, the Company considers that the Shareholders' approval obtained at the special general meeting on 26th August, 2010 for the disposal of a Sale Percentage of 65% (if the Purchaser pays the April Amount) remains valid.

The provision of the Loan and the possible reduction in the Sale Percentage to 40% pursuant to the Second Supplemental Agreement were not contemplated in the Disposal Agreement. As the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the disposal involving a Sale Percentage of 40% are above 25% but less than 75%, such disposal constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the Shareholders' approval at the SGM by way of poll. As the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of provision of the Loan to the Purchaser are above 25% but less than 75%, the provision of the Loan also constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is therefore also subject to the Shareholders' approval requirements under the Listing Rules.

The SGM will be convened and held for the Shareholders to consider and, if thought fit, approve the disposal involving a Sale Percentage of 40% (if the Purchaser fails to pay the April Amount and the Sale Percentage be reduced to 40%) and the provision of the Loan to the Purchaser (if the Purchaser pays the April Amount and the Sale Percentage remains at 65%).

As the Purchaser and its ultimate beneficial shareholder(s) are third parties independent of the Company and its connected persons and no Shareholder has a material interest in the Second Supplemental Agreement and the Loan Agreement which is different from the other Shareholders, no Shareholder is required to abstain from voting in respect of the proposed ordinary resolution to approve the Second Supplemental Agreement, the Loan Agreement and the transactions contemplated thereunder (including the amendments to the Shareholders' Agreement) at the SGM.

SGM

The SGM, the notice of which is set out on pages SGM-1 to SGM-3 of this circular, will be held at Gemini Room, 33rd Floor, Rosedale on the Park, 8 Shelter Street, Causeway Bay, Hong Kong on Monday, 14th May, 2012 at 11:00 a.m., to consider and, if thought fit, approve the Second Supplemental Agreement, the Loan Agreement and the transactions contemplated thereunder (including the amendments to the Shareholders' Agreement). The voting on the ordinary resolution will be taken by way of poll.

Whether or not you are able to attend the SGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar and transfer office of the Company in Hong Kong, Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof.

LETTER FROM THE BOARD

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

RECOMMENDATION

The Directors (including the independent non-executive Directors) consider that the terms of the Second Supplemental Agreement and the Loan Agreement are fair and reasonable and the transactions contemplated thereunder (including the amendments to the Shareholders' Agreement) are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommended the Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Second Supplemental Agreement, the Loan Agreement and the transactions contemplated thereunder (including the amendments to the Shareholders' Agreement).

GENERAL INFORMATION

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

FURTHER ANNOUNCEMENT

The Company will make further announcement on a timely basis to update the Shareholders and the public on settlement of the April Amount and (where applicable) its impact on the Sale Percentage, the Loan Agreement and the Consideration.

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

1. FINANCIAL INFORMATION OF THE GROUP

The audited financial information of the Group for each of the three years ended 31st March, 2009, 2010 and 2011 respectively are disclosed in the following documents which have been published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.itcproperties.com>) respectively:

- annual report of the Company for the year ended 31st March, 2009 published on 29th July, 2009 (pages 44 to 154);
- annual report of the Company for the year ended 31st March, 2010 published on 29th July, 2010 (pages 42 to 145); and
- annual report of the Company for the year ended 31st March, 2011 published on 15th July, 2011 (pages 42 to 145).

The unaudited financial information of the Group for the six months ended 30th September, 2011 are disclosed in the interim report of the Company dated 19th December, 2011 (pages 4 to 34), which are published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.itcproperties.com>) respectively.

On 16th November, 2011, the Group completed the acquisition of the entire equity interest in Top Precise Investments Limited (“**Top Precise**”) together with the shareholders’ loan owing by Top Precise and its subsidiaries (the “**Top Precise Group**”) from Hero’s Way Resources Ltd., the vendor, for a consideration of an aggregate amount of HK\$313.0 million plus the net tangible asset value at completion subject to adjustment, of which HK\$60.0 million was paid on signing of the corresponding agreement, HK\$100.0 million was paid by issue of loan notes of the Company and the remaining balance was paid in cash on completion. Top Precise, an investment holding company, owns the entire equity interest in Great Intelligence Limited, which owns a premise and car parking spaces in Hong Kong.

As at the Latest Practicable Date, the Group comprised the Top Precise Group. The accountants’ report and the audited financial information of the Top Precise Group for the three years ended 31st March, 2009, 2010 and 2011 respectively and the three months ended 30th June, 2011 are disclosed in the circular of the Company dated 26th October, 2011 (pages II-1 to II-26), which are also published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.itcproperties.com>) respectively.

2. INDEBTEDNESS STATEMENT

At the close of business on 31st March, 2012, being the latest practicable date for the purpose of preparing this indebtedness statement, the Group had secured bank borrowings of approximately HK\$287.3 million and unsecured borrowings of approximately HK\$419.3 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 HK\$	Outstanding principal amount as at 31st March, 2012 HK\$'000	Carrying amount of debt component as at 31st March, 2012 HK\$'000
Convertible notes issued on:			
– 25th May, 2011	2.20	589,050	516,043
– 10th June, 2011	2.20	29,000	25,127
		<u>618,050</u>	<u>541,170</u>

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 with a carrying value of approximately HK\$89.9 million;
- (ii) investment properties under development with a carrying value of HK\$638.0 million; and
- (iii) property, plant and equipment with a net book value of approximately HK\$229.0 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 March, 2012 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.

Foreign currency amounts have been translated into Hong Kong dollars at the approximate exchange rates prevailing at the close of business on 31st March, 2012.

3. WORKING CAPITAL

The Directors are of the opinion that, after taking into account of its presently available financial resources, including funds internally generated from operation, the available banking facilities and the proceeds from the disposal of the Sale Shares and the Sale Loan, the Remaining Group will have sufficient working capital for its business for the next twelve months from the date of this circular in the absence of unforeseen circumstances.

4. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial and trading position of the Group since 31st March, 2011, being the date to which the latest published audited accounts of the Group were made up.

The following is the text of a letter and valuation certificate prepared for the purpose of inclusion in this circular received from RHL Appraisal Limited, an independent property valuer, in connection with its valuation as at 31st March, 2012 on the property interest held by the Paragon Winner 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

26th April, 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 interest held by Paragon Winner Company Limited and its subsidiaries (hereinafter together referred to as the “**Paragon Winner Group**”) located in 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 value of the property interest as at 31st March, 2012 (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 interest represent its market value 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

We have valued the property interest by using the Direct Comparison Approach where comparison based on prices realized on actual sales and/or asking prices of comparable properties is made. Comparable properties of similar sizes, characters and locations are analysed and carefully weighted against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of market values.

VALUATION CONSIDERATIONS

In valuing the property interest, 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; 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 property has been constructed, occupied and used in full compliance with, and without contravention of all Ordinances, 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.

TITLE INVESTIGATION

We have been provided with documents relating to the title of property located in the PRC. We have not examined the original documents to verify the existing title to the property interest in the PRC and any material encumbrances that might be attached to the property interest or any lease amendments. However, we have relied considerably on the advices given by the Company's PRC legal adviser, Guangdong Code Law Office (廣東科德律師事務所) on the Paragon Winner Group's title to the property.

LIMITING CONDITIONS

We have inspected the exterior and, where possible, the interior of the property. 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 interest is 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 interest valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interest is free from encumbrances, restrictions and outgoings of an onerous nature, which could affect its value.

CURRENCY

All monetary sums stated in this report are in Renminbi (RMB).

We enclose herewith our valuation certificate.

Yours faithfully,
For and on behalf of
RHL Appraisal Limited

Serena S. W. Lau

FHKIS, AAPI, MRICS, RPS (GP), MBA (HKU)

Managing Director

Ivan S. P. Lui

MHKIS, RPS (GP), AAPI, CPV, MCom, MSc, BSc

Associate Director

Ms. Serena S. W. Lau is a Registered Professional Surveyor (GP) with over 19 years' experience in valuation of properties in HKSAR, Macau SAR, mainland China 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. Ivan S. P. Lui is a Registered Professional Surveyor (GP) with nearly 10 years' experience gained from various international banks and surveyors firms on property valuation in HKSAR, mainland China and the Asia Pacific Region. Mr. Lui is a Professional Member of The Hong Kong Institute of Surveyors, an Associate Member of Australian Property Institute with the qualification of certified practicing valuer. Mr. Lui is specialized in plant and machinery, mortgage valuation, premium assessment and etc. Furthermore, he also focuses on asset portfolio management covering financial budgeting/planning, coordination, controlling and operation before joining RHL.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value
			in its existing state as at 31st March, 2012 RMB
Sanya Yalong Bay Sun Valley Golf Club, Bohou Village, Yalong Bay National Resort Area, Sanya City, Hainan Province, the PRC	<p>Sanya Yalong Bay Sun Valley Golf Club is large-scale comprehensive development with a total site area of approximately 2,772,463.35 sq. m. comprising an 18-hole golf course, a 9-hole golf course, a 2-storey golf clubhouse, a reservoir and ancillary facilities completed in phases between 2006 and 2007.</p> <p>The golf clubhouse of the property has a gross floor area of approximately 4,601.00 sq. m.</p> <p>As advised, the Paragon Winner Group plans to develop additional hotel and resort facilities with total gross floor area of approximately 143,501.42 sq. m. within the property. However, the final plan and timetable for such development will be subject to the result of the disposal of the equity interest in Paragon Winner Company Limited and obtaining the necessary consents and approvals.</p>	The 18-hole golf course and the 9-hole golf course are currently operated by the Paragon Winner Group as a golf course whilst the 2-storey golf clubhouse is operated by the Paragon Winner Group as country club.	No commercial value

Notes:

- Pursuant to the Business License No. 460200400001147 issued by Hainan Sanya Administration Bureau of Industry and Commerce, the operation details of 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**") are as follow:

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
- 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 parcel of 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.

APPENDIX II
**VALUATION REPORT ON PROPERTY INTEREST OF
THE PARAGON WINNER GROUP**

3. Pursuant to various agreements entered into between Sanya Yalong and various independent third parties, Sanya Yalong has been granted with operating rights for portions of the property with a total site area of approximately 794.28 mu (529,522.65 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
Total:			794.28	

4. Pursuant to various agreements entered into between 三亞博后經濟開發有限公司 (“Sanya Bohou”) and various independent third parties, Sanya Bohou has been granted with operating rights for portions of the property 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 三亞市田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 property were vested in Sanya Yalong for the development of the golf course.

5. 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 proposal 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 RMB707,000,000.
6. We have been provided with a legal opinion regarding the property interests 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 respective portions of the property but with restrictions on the rights of transfer, mortgage or dispose of the property;
 - (ii) Sanya Yalong has obtained all relevant licenses for the operation of current business;
 - (iii) the property is free from any mortgage or third parties' encumbrances; and
 - (iv) 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 Sanya Bohou, Donson International and Sanya Bohou have formed a joint venture company namely 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 and Sanya Bohou are entitled to 80% and 20% profit from the operation of the project respectively.

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

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

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

(i) *Interests in the Shares*

Name of Director	Long position/ Short position	Capacity	Number of issued Shares	Approximate percentage of the issued share capital of the Company (%)
Mr. Cheung Hon Kit (“ Mr. Cheung ”)	Long position	Beneficial owner	17,520,000	4.59

(ii) *Interests in the share options of the Company*

Name of Director	Date of grant	Option period	Exercise price per Share HK\$	Number of share options	Approximate percentage of the issued share capital of the Company (%)
Mr. Cheung	29th March, 2010	29th March, 2010 – 28th March, 2014	2.22	3,900,000	1.02
Mr. Chan Fut Yan ("Mr. Chan")	29th March, 2010	29th March, 2010 – 28th March, 2014	2.22	2,900,000	0.76
Mr. Cheung Chi Kit	29th March, 2010	29th March, 2010 – 28th March, 2014	2.22	2,100,000	0.55
Mr. Chan Yiu Lun, Alan ("Mr. Alan Chan")	29th March, 2010	29th March, 2010 – 28th March, 2014	2.22	1,500,000	0.39
Mr. Ma Chi Kong, Karl	29th March, 2010	29th March, 2010 – 28th March, 2014	2.22	370,000	0.09
Mr. Wong Chi Keung, Alvin	29th March, 2010	29th March, 2010 – 28th March, 2014	2.22	370,000	0.09
Mr. Kwok Ka Lap, Alva	29th March, 2010	29th March, 2010 – 28th March, 2014	2.22	370,000	0.09
				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 Shareholders discloseable pursuant to the SFO

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

(i) Interests in the Shares

Name of Shareholder	Long position/ Short position	Capacity	Number of issued Shares	Approximate percentage of the issued share capital of the Company (%)
Selective Choice Investments Limited (“ Selective Choice ”) (Note 2)	Long position	Beneficial owner	151,628,928 (Note 1)	39.75
ITC Investment Holdings Limited (“ ITC Investment ”) (Note 2)	Long position	Interest of controlled corporation	151,628,928 (Note 1)	39.75
ITC Corporation Limited (“ ITC ”) (Notes 2 and 3)	Long position	Interest of controlled corporation	151,628,928 (Note 1)	39.75
Dr. Chan Kwok Keung, Charles (“ Dr. Chan ”)	Long position	Interest of controlled corporation	151,628,928 (Note 1)	39.75
	Long position	Beneficial owner	6,066,400 (Note 1)	1.59
			157,695,328	41.34
Ms. Ng Yuen Lan, Macy (“ Ms. Ng ”)	Long position	Interest of spouse	157,695,328 (Note 1)	41.34

Name of Shareholder	Long position/ Short position	Capacity	Number of issued Shares	Approximate percentage of the issued share capital of the Company (%)
Mr. Cheung	Long position	Beneficial owner	17,520,000	4.59
ASM Asia Recovery (Master) Fund (“ASM Master”)	Long position	Beneficial owner	11,040,000 (Note 4)	2.89
ASM Asia Recovery Fund (“ASM Asia”)	Long position	Interest of controlled corporation	11,040,000 (Note 4)	2.89
Argyle Street Management Limited (“ASML”)	Long position	Investment manager	13,644,000 (Note 4)	3.58
Argyle Street Management Holdings Limited (“ASM Holdings”)	Long position	Interest of controlled corporations	13,644,000 (Note 4)	3.58
Mr. Chan Kin	Long position	Interest of controlled corporations	13,644,000 (Note 4)	3.58
Shikumen Special Situations Fund (“Shikumen”)	Long position	Beneficial owner	18,437,000 (Note 5)	4.83
Crosby Capital Limited (“Crosby”)	Long position	Interest of controlled corporation	18,437,000 (Note 5)	4.83
Mr. Bennett, Peter William (“Mr. Bennett”)	Long position	Beneficial owner	976,000	0.26
Pacific Alliance Asia Opportunity Fund L.P. (“PAA Opportunity”)	Long position	Beneficial owner	26,152,953 (Note 6)	6.86
Pacific Alliance Group Asset Management Limited (“PAG Asset”)	Long position	Investment Manager	26,152,953 (Note 6)	6.86

Name of Shareholder	Long position/ Short position	Capacity	Number of issued Shares	Approximate percentage of the issued share capital of the Company (%)
Pacific Alliance Investment Management Limited ("PA Investment")	Long position	Interest of controlled corporation	26,152,953 (Note 6)	6.86
Pacific Alliance Group Limited ("PAGL")	Long position	Interest of controlled corporation	26,152,953 (Note 6)	6.86
PAG Holdings Limited ("PAG Holdings")	Long position	Interest of controlled corporation	26,152,953 (Note 6)	6.86

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

Name of Shareholder	Long position/ Short position	Capacity	Number of underlying Shares (under equity derivatives of the Company)	Approximate percentage of the issued share capital of the Company (%)
Selective Choice (Note 2)	Long position	Beneficial owner	19,954,545 (Note 1)	5.23
ITC Investment (Note 2)	Long position	Interest of controlled corporation	19,954,545 (Note 1)	5.23
ITC (Notes 2 and 3)	Long position	Interest of controlled corporation	19,954,545 (Note 1)	5.23

Name of Shareholder	Long position/ Short position	Capacity	Number of underlying Shares (under equity derivatives of the Company)	Approximate percentage of the issued share capital of the Company (%)
Dr. Chan	Long position	Interest of controlled corporation	19,954,545 (Note 1)	5.23
	Long position	Interest of spouse	135,000,000 (Note 1)	35.39
Ms. Ng	Long position	Beneficial owner	135,000,000 (Note 1)	35.39
	Long position	Interest of spouse	19,954,545 (Note 1)	5.23
Mr. Cheung	Long position	Beneficial owner	3,900,000	1.02
ASM Master	Long position	Beneficial owner	10,500,000 (Note 4)	2.75
ASM Asia	Long position	Interest of controlled corporation	10,500,000 (Note 4)	2.75
ASM Co-Investment Term Trust I (“ASM Co-Investment”)	Long position	Beneficial owner	22,500,000 (Note 4)	5.90
ASML	Long position	Investment manager	35,000,000 (Note 4)	9.17
ASM Holdings	Long position	Interest of controlled corporations	35,000,000 (Note 4)	9.17
Mr. Chan Kin	Long position	Interest of controlled corporations	35,000,000 (Note 4)	9.17
Mr. Bennett	Long position	Beneficial owner	19,500,000	5.11

Name of Shareholder	Long position/ Short position	Capacity	Number of underlying Shares (under equity derivatives of the Company)	Approximate percentage of the issued share capital of the Company (%)
Wonderich Investments Limited (“Wonderich”)	Long position	Beneficial owner	20,000,000 (Note 7)	5.24
Ms. Lee Mei Lin (“Ms. Lee”)	Long position	Interest of controlled corporation	20,000,000 (Note 7)	5.24

Notes:

1. Selective Choice, a wholly-owned subsidiary of ITC Investment, which in turn was a wholly-owned subsidiary of ITC, owned 171,583,473 Shares (of which 19,954,545 Shares related to its derivative interest). ITC Investment and ITC were deemed to be interested in 171,583,473 Shares (of which 19,954,545 Shares related to their derivative interests) which were held by Selective Choice. Dr. Chan was the controlling shareholder of ITC. Ms. Ng is the spouse of Dr. Chan. Dr. Chan owned 6,066,400 Shares and was deemed to be interested in 306,583,473 Shares (of which 154,954,545 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 177,649,873 Shares (of which 19,954,545 Shares related to her derivative interest) which were held by Dr. Chan and Selective Choice.
2. Mr. Chan, the managing director and an executive director of the Company, is an executive director of ITC and a director of Selective Choice and ITC Investment.
3. Mr. Alan Chan, an executive director of the Company, is an executive director of ITC and the son of Dr. Chan and Ms. Ng; and Hon. Shek Lai Him, Abraham, SBS, JP, the vice chairman and an independent non-executive director of the Company, is an independent non-executive director of ITC.
4. ASML, as investment manager, through its managed funds, ASM Master, ASM Hudson River Fund (“ASM Hudson”) and ASM Co-Investment, was deemed to be interested in 48,644,000 Shares (of which 35,000,000 Shares related to its derivative interests) which were held by ASM Master, ASM Hudson, ASM Co-Investment and ASM Co-Investment Opportunity Trust I LP (“ASM Opportunity”).

ASML and ASM General Partner I Limited (“ASMGP”) were wholly-owned subsidiaries of ASM Holdings. ASMGP is the general partner of ASM Opportunity which manages, controls the operations and determines the policy with respect to ASM Opportunity. ASMGP was directly interested in the Shares held by ASM Opportunity. Mr. Chan Kin was the controlling shareholder of ASM Holdings. As such, ASM Holdings and Mr. Chan Kin 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.

5. Shikumen was wholly-owned by Shikumen Capital Management (HK) Limited (“Shikumen HK”), which in turn was a wholly-owned subsidiary of Crosby. Shikumen HK and Crosby were deemed to be interested in 18,437,000 Shares which were held by Shikumen.
6. PAA Opportunity was interested in 26,152,953 Shares. PAG Asset is the general partner of PAA Opportunity. PAG Asset was wholly-owned by PA Investment which in turn was a non wholly-owned subsidiary of PAGL. PAG Holdings was the controlling shareholder of PAGL. As such, PAG Holdings, PAGL, PA Investment and PAG Asset were deemed to be interested in 26,152,953 Shares which were held by PAA Opportunity.
7. Wonderich was wholly-owned by Ms. Lee. Ms. Lee was deemed to be interested in 20,000,000 Shares (related to her derivative interest) which was held by Wonderich.

(iii) *Other members of the Group*

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

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

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

3. COMPETING INTERESTS

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

Name of Director	Name of company	Nature of competing business	Nature of interest
Mr. Cheung	Rosedale Hotel Holdings Limited (formerly known as Wing On Travel (Holdings) Limited) and its subsidiaries	Property business and hotel operation in Hong Kong and the PRC	As the chairman and an executive director
	China Development Limited	Property investment in Hong Kong	As a director and shareholder
	Artnos Limited	Property investment in Hong Kong	As a director and shareholder
	Co-Forward Development Ltd.	Property investment in Hong Kong	As a director and shareholder
	Orient Centre Limited	Property investment in Hong Kong	As a director and shareholder
	Super Time Limited	Property investment in Hong Kong	As a director and shareholder
	Asia City Holdings Ltd.	Property investment in Hong Kong	As a director and shareholder
	Supreme Best Ltd.	Property investment in Hong Kong	As a shareholder
	Orient Holdings Limited	Property investment in Hong Kong	As a director and shareholder
	Link Treasure International Limited	Property investment in Hong Kong	As a director and beneficial shareholder
	Silver City Limited	Property investment in Hong Kong	As a director and shareholder
	Cosmo Luck Limited	Property investment in Hong Kong	As a beneficial shareholder
	Ocean Region Limited	Property investment in Hong Kong	As a beneficial shareholder
	Treasure Avenue Limited	Property investment in Hong Kong	As a beneficial shareholder
Earn Wealth Capital Investment Ltd.	Property investment in Hong Kong	As a beneficial shareholder	

Name of Director	Name of company	Nature of competing business	Nature of interest
Mr. Cheung	Kun Hang Construction Limited	Property investment in Macau	As a director and shareholder
	City Corporation Ltd.	Property investment in Hong Kong	As a shareholder
	Ready Access Limited	Property investment in Hong Kong	As a beneficial shareholder
	Big Gold Limited	Property investment in Hong Kong	As a beneficial shareholder

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

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

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

4. OTHER INTERESTS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have, since 31st March, 2011 (being the date to which the latest published audited accounts of the Company were made up), been (i) acquired or disposed of by; or (ii) leased to; or (iii) proposed to be acquired or disposed of by; or (iv) proposed to be leased to, any member of the Group.

None of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the Group.

5. SERVICE CONTRACTS

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

6. MATERIAL CONTRACTS

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

- (a) 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;
- (b) the Disposal Agreement;
- (c) 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 ITC Properties (China) Limited and (if any) the corresponding shareholders’ loans at an aggregate consideration of HK\$480.0 million (subject to adjustments);
- (d) the offer letters dated 25th February, 2011, 8th March, 2011 and 28th March, 2011 sent by the Company to the holders of the 1% convertible notes due on 15th June, 2011 (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;
- (e) 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 3.25% convertible notes 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;
- (f) the First Supplemental Agreement;
- (g) 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;

- (h) 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;
- (i) 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 at an aggregate consideration of HK\$313.0 million plus the NTAV (as defined therein);
- (j) the MOU;
- (k) 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); and
- (l) the Second Supplemental Agreement.

7. LITIGATION

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

8. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have been named in this circular or have given opinions or advice which are contained in this circular:

Name	Qualification
RHL Appraisal Limited (“RHL”)	Professional valuer
Guangdong Code Law Office (“Guangdong Code”)	PRC legal adviser

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

As at the Latest Practicable Date, none of RHL and Guangdong Code had any shareholding, directly or indirectly, in any members of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any members of the Group.

As at the Latest Practicable Date, none of RHL and Guangdong Code had any direct or indirect interests in any assets which had been, since 31st March, 2011 (being the date to which the latest published audited accounts of the Company were made up), (i) acquired or disposed of by; or (ii) leased to; or (iii) proposed to be acquired or disposed of by; or (iv) proposed to be leased to, any members of the Group.

9. DOCUMENTS AVAILABLE FOR INSPECTION

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

- the memorandum of association and the bye-laws of the Company;
- the published annual reports of the Company for each of the two financial years ended 31st March, 2010 and 2011;
- the interim report of the Company for the six months ended 30th September, 2011;
- the valuation report on property interest of the Paragon Winner Group, the text of which is set out in Appendix II to this circular;
- the letters of consent referred to in the paragraph headed "Experts and consents" in this appendix;
- the material contracts referred to in the paragraph headed "Material contracts" in this appendix; and
- a copy of each circular of the Company issued pursuant to the requirements set out in Chapter 14 and/or 14A of the Listing Rules since 31st March, 2011.

10. GENERAL

- The company secretary of the Company is Ms. Yan Ha Hung, Loucia. She holds a master's degree in business administration (*MBA*). She is an Associate Member (Practitioner's Endorsement) of both The Hong Kong Institute of Chartered Secretaries (*ACS*) and The Institute of Chartered Secretaries and Administrators (*ACIS*).
- The registered office of the Company is at Clarendon House, Church Street, Hamilton HM 11, Bermuda.
- The Company's principal place of business in Hong Kong is situated at Unit 3102, 31st Floor, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong.
- The branch share registrar and transfer office of the Company in Hong Kong is Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- The English texts of this circular, the notice of the SGM and the accompanying form of proxy prevail over their respective Chinese texts.

NOTICE OF THE SGM



德祥地產集團有限公司*

ITC PROPERTIES GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code : 199)

NOTICE IS HEREBY GIVEN that the special general meeting of **ITC Properties Group Limited** (the "**Company**") will be held at Gemini Room, 33rd Floor, Rosedale on the Park, 8 Shelter Street, Causeway Bay, Hong Kong, on Monday, 14th May, 2012 at 11:00 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**

- (a) the second supplemental agreement dated 2nd April, 2012 (the "**Second Supplemental Agreement**") (a copy of which with its annexures, initialled by the chairman of the meeting for the purposes of identification, has been produced to the meeting marked "A") entered into between Everight Investment Limited (the "**Vendor**"), an indirect wholly-owned subsidiary of the Company, as vendor and Million Cube Limited (the "**Purchaser**") as purchaser in relation to certain amendments to the terms of the sale and purchase agreement entered into between the parties dated 21st July, 2010 (as varied and amended by a supplemental agreement dated 16th May, 2011) (the "**Agreement**") relating to the Purchaser's purchase of 65% shareholding in and corresponding amount of shareholders' loan due by Paragon Winner Company Limited ("**Paragon Winner**") to the Vendor, the terms and conditions thereof and the transactions contemplated thereunder including:
- (i) a possible reduction in the percentage of interest in Paragon Winner to be disposed of and consideration payable under the Agreement, as varied and amended by the Second Supplemental Agreement;
 - (ii) the loan agreement which may be entered into between ITC Golf & Leisure Group Limited, an indirect wholly-owned subsidiary of the Company, as lender and the Purchaser as borrower for a loan of not more than HK\$210 million on completion of the Agreement (as varied and amended by the Second Supplemental Agreement) ("**Completion**"); and
 - (iii) the amendments to the shareholders' agreement to be entered into among the Vendor, the Purchaser and Paragon Winner on Completion,

be and is hereby approved, confirmed and ratified; and

* For identification purpose only

NOTICE OF THE SGM

- (b) the board of the directors of the Company (the “**Board**”) be and is hereby authorised to do all such acts and things and sign all such documents and to take such steps as it consider necessary or expedient or desirable in connection with or to give effect to the Agreement (as varied and amended by the Second Supplemental Agreement) and to implement the transactions contemplated thereunder and to agree to such variation, amendment or waiver as are, in the opinion of the Board, in the interests of the Company.”

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

Hong Kong, 26th April, 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 Company’s branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong, not less than 48 hours before the time appointed for the holding of the meeting or any adjourned meeting thereof at which the person named in the instrument proposes to vote and, in default, the instrument of proxy shall not be treated as valid.
4. Completion and return of an instrument appointing a proxy shall not preclude a shareholder of the Company from attending and voting in person at the meeting or on the poll concerned and, in such event, the instrument appointing a proxy shall be deemed to have been revoked.
5. Where there are joint holders of any share of the Company, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at the meeting the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

NOTICE OF THE SGM

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

Executive Directors:

Mr. Cheung Hon Kit (*Chairman*)

Mr. Chan Fut Yan (*Managing Director*)

Mr. Cheung Chi Kit

Mr. 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