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德祥地產集團有限公司*

ITC PROPERTIES GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 199)

**ANNUAL RESULTS
FOR THE YEAR ENDED 31ST MARCH, 2019**

	Year ended 31st March	
	2019	2018
FINANCIAL HIGHLIGHTS		
<i>(All in Hong Kong dollar)</i>		
Revenue		
Per consolidated statement of profit or loss	\$262 million	\$247 million
Property income and hotel revenue		
– share of associates and joint ventures	\$1,570 million	\$643 million
	\$1,832 million	\$890 million
Net profit	\$140 million	\$182 million
Basic earnings per share	15 cents	20 cents
Dividends per share		
– first interim	10 cents	10 cents
– second interim	12 cents	12 cents
	22 cents	22 cents
Net assets value per share	\$5.5	\$5.9

* For identification purpose only

The board of directors (the “**Directors**”) (the “**Board**”) of ITC Properties Group Limited (the “**Company**”) is pleased to present the annual results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31st March, 2019 (the “**Year**”).

BUSINESS REVIEW

For the Year, due to the improvement in the hotel business, the Group’s revenue increased by 6.4% to HK\$262.3 million and gross profit increased by 5.4% to HK\$117.1 million. The handover of presold units in blocks 13 to 15 of Sky Oasis had been completed during the Year and as a result there was a substantial increase in the aggregate contributions from associates and joint ventures to HK\$567.5 million (2018: HK\$167.6 million). However, as the local property prices became moderate recently, there was only a slight increase in fair value of investment properties of HK\$1.5 million, as compared to HK\$274.6 million for last financial year. Furthermore, the Group has recognised a considerable decrease in fair value on its equity investment in 62,504,706 shares in SMI Holdings Group Limited (“**SMI**”) of HK\$211.5 million. As a result, the Group’s profit for the Year attributable to owners of the Company decreased to HK\$140.6 million from HK\$182.5 million for last financial year.

The Board has declared a second interim dividend (the “**Second Interim Dividend**”) of HK12 cents per ordinary share of the Company (the “**Share**”) for the Year (2018: HK12 cents per Share) in lieu of a final dividend. The Second Interim Dividend will be payable in cash, with an alternative to elect scrip dividend of Shares. Together with the first interim dividend of HK10 cents per Share, the total dividend for the Year shall be HK22 cents per Share (2018: HK22 cents per Share, comprising the first interim dividend of HK10 cents and the second interim dividend of HK12 cents).

Property

The segmental profit for the Year increased to HK\$526.6 million from HK\$431.0 million for last financial year.

Macau

During the Year, the Group recognised an encouraging share of profit of HK\$634.7 million (2018: HK\$104.2 million) from its associate, which is the developer of “One Oasis”, “Sky Oasis” and “Grand Oasis” in Cotai South, Macau, upon the handover of the residential units and ancillary car parks of blocks 13 to 15, where the occupation permit was obtained in June 2018.

With the solid market reputation established from the delivery of high quality residential units to the end users in the previous years, the good performance continues for the presale of blocks 17 to 19 and revenue of exceeding HK\$4.5 billion was secured. The presale of the remaining blocks 16 and 20 will commence at opportune time.

Hong Kong

In December 2018, “Cheuk Nang Plaza” was renamed as “250 Hennessy”, which is a 31-storey commercial building with 25 car parks situated at the heart of Wanchai district along Hennessy Road. The renovation works are in the final stage. Currently, certain floors are occupied by the Group for self-use while the remaining floors are held for long and short term leasing purposes.

The foundation and substructural works for the project at No. 23 Po Shan Road, Mid-levels have been progressing well and the construction works for the superstructure of a deluxe residential mid-rise building are expected to commence in the 4th quarter of 2019.

The superstructure works for the redevelopment project at Nos. 205–211A Hai Tan Street, Sham Shui Po are expected to be completed by the end of 2019, with presale to be launched in the 3rd quarter of 2019. This is an URA project mainly consisting of residential flats with a commercial podium.

The foundation works for the project at Nos. 41, 43 and 45 Pau Chung Street, To Kwa Wan are in progress and completion of the new composite building is expected by 2021. This is a redevelopment project comprising a residential tower with retail shops at lower levels. Presale of this project is planned to be launched in late 2019.

A 72%-owned subsidiary of the Group has successfully acquired 80% of the lots at Nos. 21, 23, 25, 27, 29 and 31 Sheung Heung Road, To Kwa Wan. The aggregate site area is approximately 9,100 sq. ft. and it is presently planned for residential redevelopment upon completion of the acquisition and compliance with town planning issues.

PRC

During the Year, the Group acquired an effective 31.5% interest in a joint venture which owns portions of Dabiao International Centre situated at Haizhu District, Guangzhou City with a total floor area of approximately 640,000 sq. ft.. It is a composite tower comprising of a commercial podium, offices and a hotel, which is conveniently connected to the Changgang Metro Station. The property currently contributes fair rental income to the Group and upgrade of the facilities may be intended to increase its resale value.

Overseas

Vancouver, Canada

The approval of the rezoning application of the residential redevelopment project at Alberni Street in downtown Vancouver was obtained in September 2018. The demolition work is expected to commence in 2020, with presale to be launched in late 2019. The project is planned for building two residential towers with a total floor area of approximately 648,000 sq. ft. upon completion.

London, United Kingdom

The application for the redevelopment of a four-storey office building, which is located at a prominent corner plot at Greycoat Place, is in progress. The building is proposed to be redeveloped into a mixed residential and commercial tower.

Hotel and Leisure

Revenue from this segment increased to HK\$171.1 million (2018: HK\$156.6 million), attributable to the contribution from Le Petit Rosedale Hotel and Rosedale Hotel Kowloon. The segmental profit amounted to HK\$18.6 million (2018: HK\$46.6 million) which mainly included the share of the increase in the fair value of Rosedale Hotel Kowloon. Consistent with the market trend in Hong Kong, there were improvements in both occupancy and average room rate in these two hotels during the Year. The Westin Bayshore in Vancouver, in which the Group has 50% interests, contributed a stable return.

Outlined below is a summary of the Group's interests in properties which are significant to the operations of the Group as at the date of this announcement:

Location	Usage	Group's interests (%)	Attributable gross floor area (sq. ft.)
Macau			
One Oasis, Sky Oasis and Grand Oasis situated at Estrada de Seac Pai Van	Residential/Commercial	35.5	623,933
Sub-total			623,933
Hong Kong			
Redevelopment project situated at Nos. 41, 43 and 45 Pau Chung Street, To Kwa Wan	Residential/Commercial	100	30,000
Redevelopment project situated at Nos. 205–211A Hai Tan Street, Sham Shui Po	Residential/Commercial	100	40,116
Premises situated at 30/F., Bank of America Tower, No. 12 Harcourt Road, Central	Office	100	13,880
250 Hennessy situated at No. 250 Hennessy Road, Wanchai	Office/Car parks	100	55,600
Redevelopment project situated at Nos. 21, 23, 25, 27, 29 and 31 Sheung Heung Road, To Kwa Wan	Residential	72	20,593

Location	Usage	Group's interests (%)	Attributable gross floor area (sq. ft.)
Redevelopment project situated at No. 23 Po Shan Road, Mid-levels	Residential	40	32,000
Le Petit Rosedale Hotel situated at No. 7 Moreton Terrace, Causeway Bay	Hotel	100	31,000
Rosedale Hotel Kowloon situated at No. 86 Tai Kok Tsui Road, Tai Kok Tsui	Hotel	40	44,000
Sub-total			267,189
PRC			
Land situated at the Cyber Park, Sanya City, Hainan Province	Hotel	100	886,000
Portions of Dabiao International Centre situated at No. 362 Jiangnan Avenue South and No. 238 Changgang Zhong Road, Haizhu District, Guangzhou City	Commercial/Office/Hotel/Car parks	31.5	201,000
Sub-total			1,087,000
Overseas			
Townsend House situated at Greycoat Place, London, United Kingdom	Commercial	90.1	23,900
The Westin Bayshore situated at 1601 Bayshore Drive, Vancouver, British Columbia, Canada	Hospitality/Conference/Ancillary uses	50	224,500
Redevelopment project situated at 1444 Alberni Street, 711 Broughton Street and 740 Nicola Street, Vancouver, British Columbia, Canada	Residential/Commercial	28	181,000
Sub-total			429,400
Total			2,407,522

Securities Investments

Segmental loss from securities investments for the Year was HK\$209.0 million (2018: HK\$70.0 million). As at 31st March, 2019, the Group held 62,504,706 shares in SMI (the “**SMI Investment**”), representing 2.31% of its existing total number of issued shares (the “**SMI Shares**”). The SMI Shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), but the trading of SMI Shares has been suspended on the Stock Exchange since 3rd September, 2018. Based on the valuation report prepared by an independent professional valuer, a significant loss of HK\$211.5 million was incurred due to the decrease in fair value in the SMI Investment during the Year.

Due to the share price fluctuation of South Shore Holdings Limited (“**South Shore**”), there was HK\$38.2 million (2018: HK\$251.7 million) net loss on fair value changes of equity investments charged as other comprehensive expense during the Year.

As at 31st March, 2019, the Group had equity and fund investments in aggregate of HK\$191.9 million, 64% being unlisted securities and funds denominated in United States dollars and 36% being listed securities denominated in Hong Kong dollars.

Finance

The Group had interest income of HK\$76.8 million (2018: HK\$69.2 million) for the Year. As at 31st March, 2019, other loan receivables of the Group amounted to HK\$753.6 million.

Paul Y. Engineering Group Limited

The completion of the Group’s acquisition of 45.8% interests in Paul Y. Engineering Group Limited from South Shore is still pending fulfillment of certain conditions by South Shore, and is expected to take place by 31st July, 2019.

FINANCIAL REVIEW

The Group maintains a prudent funding and treasury policy with regard to its overall business operations. A variety of credit facilities are maintained to satisfy the commitments and working capital requirements of the Group.

As at 31st March, 2019, the Group had total bank borrowings of HK\$1,479.5 million and loan notes of HK\$1,547.1 million. After netting off bank balances and cash of HK\$526.2 million and comparing with the Group’s shareholders’ funds of HK\$5,336.1 million, the Group’s net gearing ratio as at 31st March, 2019 was 0.47 (2018: 0.44). All of the bank borrowings are subject to floating interest rates while the loan notes are subject to fixed interest rates. The Group will closely monitor and manage its exposure to the interest rate fluctuations and will consider engaging hedging instruments as and when appropriate.

As at 31st March, 2019, the Group had unused banking facilities of HK\$352.0 million which can be utilised to finance the construction of properties and the working capital of the Group. During the Year, a total of HK\$758.4 million bank borrowings were drawn down to finance the redevelopment projects in Hong Kong and the working capital of the Group. An aggregate amount of HK\$306.7 million of the Group's borrowings will be due for repayment in the coming financial year in accordance with the repayment schedules while another HK\$1,172.8 million was classified as current liability since the lenders have the rights to demand immediate repayment. The Group will continue to closely monitor its liquidity and working capital requirements to ensure appropriate financing arrangements are made when necessary.

For overseas subsidiaries, associated companies and other investments with cashflow denominated in foreign currencies, the Group endeavours to establish a natural hedge for debt financing with an appropriate level of borrowings in the same currencies. In this respect, the borrowings of the Group and its associates, to which the Group has granted guarantees, are denominated in Hong Kong dollars, United States dollars, Canadian dollars and Pound Sterling. For the Year, an unrealised loss on exchange differences of HK\$69.7 million was charged as other comprehensive expense, mainly arisen from translations of operations in Canada and the PRC due to the depreciation of Canadian dollars and Renminbi. The majority of the Group's cash and cash equivalent are denominated in Hong Kong dollars while the Group's other assets and liabilities are denominated in Hong Kong dollars, Renminbi, Macau Pataca, Pound Sterling, United States dollars and Canadian dollars. Though no hedging instruments have been engaged, the Group will closely monitor its foreign exchange risk exposure.

Subsequent to the end of the Year, the Company has cancelled a total of 7,723,000 Shares upon repurchase which led to an enhancement in the net asset value per Share and the earnings per Share. The Directors believed that the Share repurchase benefited the Company and its shareholders (the "Shareholders") as a whole.

Pledge of Assets

As at 31st March, 2019, the Group's general credit facilities granted by the banks were secured by pledges of the Group's investment properties of HK\$922.0 million, stock of properties of HK\$752.9 million, and property, plant and equipment of HK\$910.2 million.

Contingent Liabilities

As at 31st March, 2019, the Group provided corporate guarantees on a several basis to the extent of (i) HK\$91.0 million (2018: HK\$91.0 million), HK\$365.4 million (2018: HK\$377.2 million), HK\$58.0 million (2018: Nil), HK\$320.0 million (2018: Nil) and HK\$230.4 million (2018: HK\$238.1 million) in respect of the banking facilities granted to five joint ventures (which are owned as to 50%, 50%, 50%, 40% and 28% equity interests by the Group respectively) with the total outstanding amounts of HK\$81.9 million (2018: HK\$91.0 million), HK\$352.7 million (2018: HK\$364.4 million), HK\$57.8 million (2018: Nil), HK\$320.0 million (2018: Nil) and HK\$139.9 million (2018: HK\$144.6 million); and (ii) HK\$565.7 million (2018: HK\$565.7 million) in respect of the banking facilities granted to an associate (which is owned as to 40% equity interests by the Group) with the total outstanding amount of HK\$354.8 million (2018: HK\$337.6 million).

PROSPECTS

The worsened US-China trade conflict has casted uncertainties on the global business environment and its adverse effect will slow down the economic growth. Property activities in cities, including Hong Kong and Vancouver, show signs of sluggishness. On the other hand, the development of the Greater Bay Area strengthens the cooperation amongst Guangdong, Hong Kong and Macau and enhances the economic development in these regions. With careful selection of projects, the Group remains confident in carrying out its mission and dealing with challenges ahead. We will focus on the presale of the remaining blocks in Sky Oasis and Grand Oasis and the redevelopment projects at Hai Tan Street and Pau Chung Street in order to secure the revenue for the coming few years. In addition to stepping our businesses further to Canada and the United Kingdom, we will keep on improving earnings and enhancing the Shareholders' value by working hard on the projects on hand and at the same time, be selective and cautious on replenishing the Group's portfolio when suitable opportunities arise.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31ST MARCH, 2019

	<i>Notes</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Revenue	3	<u>262,299</u>	<u>246,625</u>
Hotel operation income		171,140	156,606
Property income		<u>14,325</u>	<u>20,280</u>
		185,465	176,886
Direct cost for hotel operation income and property income		<u>(68,344)</u>	<u>(65,747)</u>
Gross profit for hotel operation income and property income		117,121	111,139
Interest revenue from loan financing		76,834	69,219
Net loss on financial instruments	4	(207,908)	(69,387)
Other income, gains and losses		48,809	56,015
Reversal of impairment losses, net		14,432	–
Increase in fair value of investment properties		1,520	274,606
Administrative and other expenses		(355,460)	(312,016)
Finance costs	5	(121,772)	(113,566)
Share of results of associates		619,419	96,942
Share of results of joint ventures		<u>(51,940)</u>	<u>70,674</u>
Profit before taxation		141,055	183,626
Taxation	6	<u>(1,165)</u>	<u>(1,477)</u>
Profit for the year	7	<u>139,890</u>	<u>182,149</u>
Profit (loss) for the year attributable to:			
Owners of the Company		140,583	182,488
Non-controlling interests		<u>(693)</u>	<u>(339)</u>
		<u>139,890</u>	<u>182,149</u>
Earnings per share	9		
– Basic (HK dollar)		<u>0.15</u>	<u>0.20</u>
– Diluted (HK dollar)		<u>0.15</u>	<u>0.20</u>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

FOR THE YEAR ENDED 31ST MARCH, 2019

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Profit for the year	<u>139,890</u>	<u>182,149</u>
Other comprehensive (expense) income		
<i>Item that will not be reclassified to profit or loss:</i>		
Net loss on fair value changes of financial assets designated as at fair value through other comprehensive income	(41,328)	(252,130)
<i>Items that may be subsequently reclassified to profit or loss:</i>		
Exchange differences arising on deregistration of a subsidiary	–	(2,785)
Exchange differences arising on translation of foreign operations	(69,706)	101,274
Share of translation reserve of associates and joint ventures	<u>17,627</u>	<u>(8,098)</u>
Other comprehensive expense for the year	<u>(93,407)</u>	<u>(161,739)</u>
Total comprehensive income for the year	<u>46,483</u>	<u>20,410</u>
Total comprehensive income (expense) for the year attributable to:		
Owners of the Company	47,748	19,802
Non-controlling interests	<u>(1,265)</u>	<u>608</u>
	<u>46,483</u>	<u>20,410</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31ST MARCH, 2019

	<i>Notes</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		922,544	943,586
Investment properties		922,000	900,000
Equity and fund investments		70,093	110,633
Interests in joint ventures		1,179,333	1,088,564
Amounts due from joint ventures		558,067	435,194
Interests in associates		2,132,226	1,806,774
Amounts due from associates		16,686	9,097
Other loan receivables		168,630	752,324
Deposit paid for acquisition of an associate		159,000	159,000
Other non-current assets		173,252	140,588
		<u>6,301,831</u>	<u>6,345,760</u>
Current assets			
Inventories – food, beverages and general stores		744	732
Deposits paid for acquisition of leasehold land		354,997	371,684
Stock of properties		1,110,937	799,273
Other loan receivables		584,929	150,000
Amount due from a joint venture		–	274,155
Debtors, deposits and prepayments	<i>10</i>	169,735	155,713
Equity and fund investments		121,816	277,745
Bank balances and cash		526,187	608,334
		<u>2,869,345</u>	<u>2,637,636</u>
Current liabilities			
Creditors, deposits and accrued charges	<i>11</i>	193,770	117,430
Amount due to an associate		408,128	132,532
Tax payables		202,992	181,292
Obligations under finance leases			
– due within one year		130	65
Bank and other borrowings – due within one year		1,479,545	1,334,761
		<u>2,284,565</u>	<u>1,766,080</u>
Net current assets		<u>584,780</u>	<u>871,556</u>
Total assets less current liabilities		<u>6,886,611</u>	<u>7,217,316</u>

	2019	2018
	HK\$'000	HK\$'000
Non-current liabilities		
Loan notes – due after one year	1,547,059	1,538,209
Obligations under finance leases – due after one year	438	60
Bank and other borrowings – due after one year	–	142,139
	<u>1,547,497</u>	<u>1,680,408</u>
	<u>5,339,114</u>	<u>5,536,908</u>
Capital and reserves		
Share capital	9,753	9,377
Reserves	5,326,371	5,523,278
	<u>5,336,124</u>	<u>5,532,655</u>
Equity attributable to owners of the Company	5,336,124	5,532,655
Non-controlling interests	2,990	4,253
	<u>5,339,114</u>	<u>5,536,908</u>

Notes:

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and by the Hong Kong Companies Ordinance.

2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments that are measured at fair values at the end of each reporting period. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time in the Year:

HKFRS 9 (2014)	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 <i>Financial Instruments</i> with HKFRS 4 <i>Insurance Contracts</i>
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

Except for the application of HKFRS 9 (2014) *Financial Instruments* as described below, the application of the new and amendments to HKFRSs in the Year has had no material impact on the Group’s financial performance and positions for the Year and prior years set out in the consolidated financial statements. However, additional disclosure has been included in the consolidated financial statements to satisfy the new disclosure requirements introduced by the amendments to HKFRS 15.

Key changes in accounting policies resulting from application of HKFRS 9 (2014)

The Group has applied HKFRS 9 (2014) in accordance with the transition provisions set out in HKFRS 9 (2014), i.e. applied the impairment requirements retrospectively to instruments that have not been derecognised as at 1st April, 2018 (the date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1st April, 2018. The difference between the carrying amounts as at 31st March, 2018 and the carrying amounts as at 1st April, 2018 is recognised in the opening retained profits and other components of equity, without restating the comparative information.

The Group recognises a loss allowance for expected credit losses (“ECL”) on financial assets which are subject to impairment under HKFRS 9 (2014) (including debtors and deposits, amounts due from joint ventures, amounts due from associates, other loan receivables, certain other non-current assets and bank balances), loan commitments and financial guarantee contracts. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Summary of effects arising from initial application of HKFRS 9 (2014)

Loss allowance for financial assets at amortised cost, mainly comprising debtors and deposits, amounts due from joint ventures, other loan receivables and certain other non-current assets, is measured on 12-month ECL basis and there had been no significant increase in credit risk since initial recognition, except for certain other loan receivables and certain debtors which are measured on lifetime ECL basis as those credit risk had increased significantly since initial recognition.

As at 1st April, 2018, additional credit loss allowance of HK\$121,473,000 has been recognised against retained profits. The additional credit loss allowance is charged against the respective assets.

	Other loan receivables <i>HK\$'000</i>	Other non-current assets <i>HK\$'000</i>	Debtors, deposits and prepayments <i>HK\$'000</i>	Amount due from a joint venture <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 31st March, 2018					
– HKFRS 9 (2009) (audited)	–	–	23,923	11,022	34,945
Amounts remeasured through opening retained profits	115,133	1,902	4,438	–	121,473
At 1st April, 2018 (restated)	<u>115,133</u>	<u>1,902</u>	<u>28,361</u>	<u>11,022</u>	<u>156,418</u>

The effect of the change in accounting policy described above on the consolidated statement of the financial position of the Group as at the beginning of the Year (i.e. 1st April, 2018) is as follows:

	At 31st March, 2018 <i>HK\$'000</i> (audited)	Effect of HKFRS 9 (2014) <i>HK\$'000</i>	At 1st April, 2018 <i>HK\$'000</i> (restated)
<u>ASSETS</u>			
Other loan receivables	902,324	(115,133)	787,191
Other non-current assets	140,588	(1,902)	138,686
Debtors, deposits and prepayments	<u>155,713</u>	<u>(4,438)</u>	<u>151,275</u>
<u>EQUITY</u>			
Retained profits	<u>2,297,994</u>	<u>(121,473)</u>	<u>2,176,521</u>

3. SEGMENT INFORMATION

The Group's reportable and operating segments, based on internal information that are regularly reviewed by the executive Directors, the chief operating decision maker (the "CODM"), for the purposes of resource allocation and assessment of performance, are as follows:

Property	–	development of and investment in properties
Hotel and leisure	–	development of, investment in and operation of hotels and resorts
Securities investments	–	trading and investment of securities
Finance	–	provision of loan financing services

Information regarding these segments is reported below:

For the year ended 31st March, 2019

	Segment revenue HK\$'000 (note (a))	Operating (loss) profit HK\$'000	Share of results of associates HK\$'000	Share of results of joint ventures HK\$'000	Finance costs HK\$'000	Segment results: profit (loss) before taxation HK\$'000 (note (b))
Property (note (c))	14,325	(19,485)	628,951	(56,809)	(26,011)	526,646
Hotel and leisure (note (d))	171,140	(23,886)	(9,532)	65,025	(12,960)	18,647
Securities investments	-	(209,029)	-	-	-	(209,029)
Finance	76,834	95,311	-	-	-	95,311
SEGMENT TOTAL	262,299	(157,089)	619,419	8,216	(38,971)	431,575
Unallocated	-	(147,563)	-	(60,156)	(82,801)	(290,520)
GROUP TOTAL	262,299	(304,652)	619,419	(51,940)	(121,772)	141,055

For the year ended 31st March, 2018

	Segment revenue HK\$'000 (note (a))	Operating profit (loss) HK\$'000	Share of results of associates HK\$'000	Share of results of joint ventures HK\$'000	Finance costs HK\$'000	Segment results: profit (loss) before taxation HK\$'000 (note (b))
Property (note (c))	20,280	303,518	104,058	41,291	(17,859)	431,008
Hotel and leisure (note (d))	156,606	(29,748)	(7,116)	97,102	(13,680)	46,558
Securities investments	520	(70,013)	-	-	-	(70,013)
Finance	69,219	73,975	-	-	-	73,975
SEGMENT TOTAL	246,625	277,732	96,942	138,393	(31,539)	481,528
Unallocated	-	(148,156)	-	(67,719)	(82,027)	(297,902)
GROUP TOTAL	246,625	129,576	96,942	70,674	(113,566)	183,626

notes:

- (a) Revenue as set out above comprised rental income, properties commission income, building management fee income, hotel operation income, loan financing income and dividend income from equity investments. All segment revenue is from external customers.
- (b) The aggregate of the segment results as set out above comprised the profit (loss) before taxation from each segment without allocation of certain other income, gains and losses, certain administrative and other expenses, certain share of results of joint ventures and certain finance costs.
- (c) During the Year, the segment result of property segment included increase in fair value of investment properties of HK\$1,520,000 (2018: HK\$274,606,000).
- (d) During the Year, the segment result of hotel and leisure segment included share of increase in fair value of investment properties held by a joint venture amounting to HK\$52,000,000 (2018: HK\$80,000,000).

The CODM assesses the performance of the operating segments based on the profit (loss) before taxation of the group entities engaged in the respective segment activities which represents the segment results. Segment results are analysed before taxation whereas tax payable is allocated to operating segment liabilities. This is the measure reported to the CODM for the purpose of resource allocation and performance assessment.

Segment assets and liabilities

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

	Segment assets		Segment liabilities	
	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
Property	5,416,194	4,498,865	1,727,578	1,094,620
Hotel and leisure	1,766,116	2,091,728	490,428	751,749
Securities investments	191,914	388,384	4,096	4,042
Finance	790,200	942,111	48	1,275
Segment total	8,164,424	7,921,088	2,222,150	1,851,686
Unallocated:				
Bank balances and cash	526,187	608,334	–	–
Loan notes	–	–	1,547,059	1,538,209
Accrued coupon interest on loan notes	–	–	34,595	34,581
Others	480,565	453,974	28,258	22,012
Total	9,171,176	8,983,396	3,832,062	3,446,488

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

- all assets are allocated to operating segments other than certain property, plant and equipment, deposit paid for acquisition of an associate, certain other non-current assets, certain debtors, deposits and prepayments of the corporate offices, certain interests in joint ventures, certain amounts due from joint ventures and bank balances and cash; and
- all liabilities, including tax payables, are allocated to operating segments other than loan notes and its accrued coupon interest, certain creditors, deposits and accrued charges and obligations under finance leases of the corporate offices.

Geographical information

The Group's revenue from external customers based on location of properties and goods delivered or services delivered, and information about its non-current assets, excluding financial assets, by physical location of the assets are detailed as below:

	Revenue from external customers		Carrying amount of non-current assets	
	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
Hong Kong	251,389	233,325	2,687,970	2,660,292
Macau	–	–	1,543,931	1,151,135
The People's Republic of China (the "PRC")	–	–	519,365	450,331
Canada	–	–	567,733	583,709
Others	10,910	13,300	41,613	95,747
	<u>262,299</u>	<u>246,625</u>	<u>5,360,612</u>	<u>4,941,214</u>

4. NET LOSS ON FINANCIAL INSTRUMENTS

	2019 HK\$'000	2018 HK\$'000
Decrease in fair values of financial assets at fair value through profit or loss		
– held at the end of the reporting period (<i>note</i>)	188,766	67,853
– disposed of during the Year	19,142	2,054
	<u>207,908</u>	<u>69,907</u>
Dividend income from equity investments	–	(520)
	<u>207,908</u>	<u>69,387</u>

note:

During the Year, the decrease in fair values of financial assets at fair value through profit or loss was mainly due to a fair value loss of HK\$211,540,000 recognised for the investment in SMI Shares, suspended listed equity securities. Following the suspension of trading since 3rd September, 2018 and due to a lack of quoted closing prices or recent transaction prices in the market, the quoted closing price was no longer available and thus the fair value of SMI Shares was measured using a valuation technique with significant unobservable inputs performed by an independent professional valuer.

As disclosed in SMI's announcement dated 2nd June, 2019, SMI was still short of sufficient working capital to support its business operations where considerable amount of wages, rent and license fees were in arrears, and no agreement or material terms in relation to its debt restructuring have been entered into or agreed. The fair value loss was arrived based on the valuation report from the independent professional valuer.

5. FINANCE COSTS

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Effective interest on loan notes	82,764	82,017
Interest on bank and other borrowings	45,527	35,651
Interest on obligations under finance leases	37	10
	<hr/>	<hr/>
Total borrowing costs	128,328	117,678
Less: amounts capitalised in qualifying assets	(6,556)	(4,112)
	<hr/>	<hr/>
	121,772	113,566
	<hr/> <hr/>	<hr/> <hr/>

6. TAXATION

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Hong Kong Profits Tax:		
Current tax	984	1,556
Overprovision in prior years	(27)	(79)
	<hr/>	<hr/>
	957	1,477
United Kingdom Corporation Tax:		
Underprovision in prior years	208	–
	<hr/>	<hr/>
	1,165	1,477
	<hr/> <hr/>	<hr/> <hr/>

For the Year, Hong Kong Profits Tax of the qualified entity of the Group was calculated in accordance with the two-tiered profits tax rates regime (i.e. the first HK\$2 million of profits of a qualifying group entity to be taxed at 8.25%, and profits above HK\$2 million to be taxed at 16.5%), while the profits of group entities not qualifying for the two-tiered profits tax rates regime continued to be taxed at a flat rate of 16.5% (2018: 16.5%).

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

7. PROFIT FOR THE YEAR

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Profit for the Year has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	34,570	30,444
Cost of inventories recognised as an expense	8,436	8,525
Loss (gain) on disposal/written off of property, plant and equipment	91	(924)
Bank interest income	(3,297)	(1,842)
Interest income on amounts due from joint ventures	(29,196)	(39,908)
Other interest income	(4,123)	(5,213)
	<u> </u>	<u> </u>

8. DISTRIBUTION

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Dividends recognised as distributions during the Year:		
First interim dividend, paid for the Year – HK10 cents (first interim dividend, paid for the year ended 31st March, 2018: HK10 cents) per Share	97,204	91,447
Second interim dividend, paid for the year ended 31st March, 2018 – HK12 cents (final dividend, paid for the year ended 31st March, 2017: HK12 cents) per Share	112,526	106,477
	<u> </u>	<u> </u>
	<u>209,730</u>	<u>197,924</u>
Dividends in form of:		
– Cash	125,990	61,102
– Scrip shares	83,740	136,822
	<u> </u>	<u> </u>
	<u>209,730</u>	<u>197,924</u>
Dividends declared in respect of the Year:		
– Second interim dividend declared for the Year – HK12 cents (second interim dividend for the year ended 31st March, 2018: HK12 cents) per Share	116,108	112,526
	<u> </u>	<u> </u>

Subsequent to the end of the reporting period, the Board has resolved to declare a second interim dividend of HK12 cents per Share for the Year, which will be payable in cash, with an alternative to elect scrip dividend of Shares, in respect of all or part of such dividend. The second interim dividend has been calculated by reference to the 967,563,943 issued Shares outstanding as at the date of this announcement.

9. EARNINGS PER SHARE

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Earnings:		
Profit for the Year attributable to owners of the Company for the purpose of basic and diluted earnings per Share	<u>140,583</u>	<u>182,488</u>
Number of Shares:		
Weighted average number of Shares for the purpose of basic and diluted earnings per Share	<u>956,696,633</u>	<u>905,378,635</u>

The effect of the exercise of the Company's share options was not taken into consideration for computing the diluted earnings per Share for the years ended 31st March, 2019 and 2018 as the exercise price of those share options was higher than the average market price for Shares.

10. DEBTORS, DEPOSITS AND PREPAYMENTS

The Group's credit terms are negotiated at terms determined and agreed with its trade customers. The Group allows an average credit period of 60 days (2018: 60 days) to its trade customers. Included in debtors, deposits and prepayments are trade debtors of approximately HK\$3,100,000 as at 31st March, 2019 (2018: HK\$3,278,000).

The following is an aged analysis of trade debtors presented based on the invoice date at the end of the reporting period:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Trade debtors aged:		
0 – 60 days	2,956	3,206
61 – 90 days	77	5
Over 90 days	<u>67</u>	<u>67</u>
	<u>3,100</u>	<u>3,278</u>

11. CREDITORS, DEPOSITS AND ACCRUED CHARGES

Included in creditors, deposits and accrued charges are trade creditors of approximately HK\$1,905,000 (2018: HK\$1,498,000).

The following is an aged analysis of trade creditors presented with reference to the invoice date at the end of the reporting period:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Trade creditors aged:		
0 – 60 days	1,905	1,468
61 – 90 days	<u>–</u>	<u>30</u>
	<u>1,905</u>	<u>1,498</u>

OTHER INFORMATION

Second Interim Dividend

The Board has declared the Second Interim Dividend of HK12 cents per Share to the Shareholders whose names appear on the register of members of the Company (the “**Register of Members**”) as at the close of business on Friday, 19th July, 2019. The Second Interim Dividend is expected to be paid to the Shareholders on or about Friday, 30th August, 2019.

The Board has also resolved that the Second Interim Dividend should be satisfied in cash, with an alternative to elect scrip dividend of Shares in respect of part or all of such dividend. The issue price of each Share to be issued under the scrip dividend scheme will be fixed by reference to the average of the closing prices of a Share for the three consecutive trading days ending Friday, 19th July, 2019 less a discount of 5% of such average price or the par value per Share, whichever is higher. The scrip dividend scheme is conditional upon the Stock Exchange granting the listing of, and permission to deal in, the new Shares to be issued. A circular containing the details of the scrip dividend scheme and a form of election, together with the 2018-2019 annual report, will be sent to the Shareholders in due course.

Annual General Meeting

The forthcoming annual general meeting of the Company (the “**Annual General Meeting**”) will be held on Friday, 6th September, 2019. A circular containing the notice of the Annual General Meeting and information regarding, inter alia, the re-election of the retiring Directors and the granting of the general mandates to the Directors to issue new Shares and to repurchase Shares will be published and despatched to the Shareholders in due course.

Closure of Register of Members

For the purpose of ascertaining Shareholders’ entitlement to the Second Interim Dividend, the Register of Members will be closed from Thursday, 18th July, 2019 to Friday, 19th July, 2019, both days inclusive, during which period no transfer of Shares will be registered. The Shares will be traded ex-dividend as from Tuesday, 16th July, 2019. In order to be entitled to the Second Interim Dividend, Shareholders must lodge all transfer documents accompanied by the relevant share certificates with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong ^(Note) for registration by no later than 4:30 p.m. on Wednesday, 17th July, 2019.

For the purpose of ascertaining Shareholders’ entitlement to attend and vote at the Annual General Meeting, the Register of Members will be closed from Tuesday, 3rd September, 2019 to Friday, 6th September, 2019, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the Annual General Meeting, Shareholders must lodge all transfer documents accompanied by the relevant share certificates with Tricor Secretaries Limited at the abovementioned address for registration by no later than 4:30 p.m. on Monday, 2nd September, 2019.

Note: The address will be changed to Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong with effect from 11th July, 2019.

Number of Employees and Remuneration Policies

As at 31st March, 2019, the total number of employees of the Group was 318 (2018: 329). Employees are remunerated according to their qualifications and experience, job nature and performance, and under the pay scales aligned with market conditions. Other benefits to employees include medical scheme, insurance coverage, share options and retirement schemes.

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Year.

Movement in Issued Shares

During the Year, the Company issued a total of 37,574,209 new Shares pursuant to the scrip dividend schemes in relation to the second interim dividend for the year ended 31st March, 2018 and the interim dividend for the six months ended 30th September, 2018. As at 31st March, 2019, there were 975,286,943 Shares in issue.

Compliance with the Corporate Governance Code and Corporate Governance Report

The Company is committed to maintaining high standard of corporate governance practices and procedures and complying with the statutory and regulatory requirements with an aim to maximising the values and interests of the Shareholders as well as enhancing the transparency and accountability to the stakeholders.

Throughout the Year, the Company has complied with all the code provisions of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules and applied the principles contained therein.

Compliance with Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct for Directors in their dealings in the securities of the Company. In response to specific enquiries made by the Company, all the Directors confirmed that they have complied with the required standards set out in the Model Code throughout the Year.

Review of Annual Results

The audit committee of the Company has reviewed with the management and the Company's auditor the accounting principles and practices adopted by the Group and discussed auditing, financial reporting process and internal control matters including a review of the annual results of the Group for the Year.

Scope of Work of Messrs. Deloitte Touche Tohmatsu

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the Year as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the Year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

Publication of Annual Results Announcement and Annual Report

This annual results announcement is published on both the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.itcproperties.com. The annual report of the Company for the Year containing all information required by the Listing Rules will be despatched to the Shareholders and published on the websites of the Stock Exchange and the Company in due course.

APPRECIATION

I would like to take this opportunity to express my appreciation to the Shareholders for their support, to the fellow Board members, management and staff for their dedicated efforts to the Group and to our clients, consultants and partners for all their valuable assistance offered during the past year.

By order of the Board
ITC Properties Group Limited
Cheung Hon Kit
Chairman

Hong Kong, 26th June, 2019

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

Executive Directors:

Mr. Cheung Hon Kit (*Chairman*)
Mr. Chan Fut Yan (*Managing Director*)
Mr. Cheung Chi Kit (*Chief Financial Officer*)
Mr. Chan Yiu Lun, Alan
Mr. Wong Lai Shun, Benny

Independent Non-executive Directors:

Hon. Shek Lai Him, Abraham, *GBS, JP* (*Vice Chairman*)
Mr. Kwok Ka Lap, Alva
Mr. Chan Pak Cheong Afonso

In case of any inconsistency, the English version of this announcement shall prevail over the Chinese version.