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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)**

**INTERIM RESULTS  
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2017**

**FINANCIAL HIGHLIGHTS**

*(All in Hong Kong dollar)*

	<b>Six months ended</b>	
	<b>30.9.2017</b>	<b>30.9.2016</b>
<b>Revenue</b>		
Per condensed consolidated statement of profit or loss	<b>\$109 million</b>	\$80 million
Property income and hotel revenue		
– share of associates and joint ventures	<b>\$439 million</b>	\$753 million
	<b>\$548 million</b>	\$833 million
<b>Net profit</b>	<b>\$284 million</b>	\$386 million
<b>Basic earnings per share</b>	<b>32 cents</b>	45 cents
<b>Interim dividend per share</b>	<b>10 cents</b>	10 cents

\* For identification purpose only

## RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of ITC Properties Group Limited (the “**Company**”) is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30th September, 2017, together with the comparative figures for the corresponding period in 2016.

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2017

		<b>Six months ended</b>	
	<i>Notes</i>	<b>30.9.2017</b>	30.9.2016
		<b>HK\$'000</b>	HK\$'000
		<b>(unaudited)</b>	(unaudited)
Revenue	3	<u><b>108,782</b></u>	<u>79,662</u>
Hotel operation income		<b>67,207</b>	52,761
Property income		<u><b>8,914</b></u>	<u>8,176</u>
		<b>76,121</b>	60,937
Direct cost		<u><b>(28,934)</b></u>	<u>(24,322)</u>
Gross profit		<b>47,187</b>	36,615
Income from loan financing		<b>32,200</b>	18,294
Net (loss) gain on financial instruments		<b>(25,933)</b>	21,882
Other income, gains and losses		<b>31,065</b>	45,127
Net increase in fair value of investment properties		<b>269,382</b>	2,235
Administrative and other expenses		<b>(129,335)</b>	(123,102)
Finance costs	4	<b>(55,696)</b>	(13,483)
Share of results of associates		<b>70,813</b>	421,976
Share of results of joint ventures		<u><b>44,586</b></u>	<u>(23,861)</u>
Profit before taxation		<b>284,269</b>	385,683
Taxation		<u><b>–</b></u>	<u>–</u>
Profit for the period	5	<u><b>284,269</b></u>	<u>385,683</u>
Profit (loss) for the period attributable to:			
Owners of the Company		<b>284,344</b>	385,852
Non-controlling interests		<u><b>(75)</b></u>	<u>(169)</u>
		<u><b>284,269</b></u>	<u>385,683</u>
<b>Earnings per share</b>	7		
– Basic ( <i>HK dollar</i> )		<u><b>0.32</b></u>	<u>0.45</u>
– Diluted ( <i>HK dollar</i> )		<u><b>0.32</b></u>	<u>0.45</u>

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

*FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2017*

	<b>Six months ended</b>	
	<b>30.9.2017</b>	30.9.2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(unaudited)</b>	(unaudited)
Profit for the period	<u>284,269</u>	<u>385,683</u>
<b>Other comprehensive (expense) income</b>		
<i>Item that will not be reclassified to profit or loss:</i>		
Net (loss) gain on fair value changes of financial assets designated as at fair value through other comprehensive income	(135,002)	50,817
<i>Items that may be subsequently reclassified to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	98,394	(37,346)
Share of translation reserve of associates and joint ventures	<u>(9,219)</u>	<u>(725)</u>
Other comprehensive (expense) income for the period	<u>(45,827)</u>	<u>12,746</u>
Total comprehensive income for the period	<u><u>238,442</u></u>	<u><u>398,429</u></u>
Total comprehensive income (expense) for the period attributable to:		
Owners of the Company	237,981	398,598
Non-controlling interests	<u>461</u>	<u>(169)</u>
	<u><u>238,442</u></u>	<u><u>398,429</u></u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AT 30TH SEPTEMBER, 2017**

	<i>Note</i>	<b>30.9.2017</b> <b>HK\$'000</b> <b>(unaudited)</b>	31.3.2017 <i>HK\$'000</i> (audited)
<b>Non-current assets</b>			
Property, plant and equipment		<b>794,476</b>	800,409
Investment properties		<b>1,042,000</b>	754,000
Equity investments		<b>121,218</b>	255,020
Interests in joint ventures		<b>1,035,313</b>	1,093,094
Amounts due from joint ventures		<b>622,633</b>	598,584
Interests in associates		<b>2,171,711</b>	2,003,907
Amount due from an associate		<b>686</b>	91,686
Other loan receivables		<b>679,633</b>	667,235
Deposit paid for acquisition of an associate		<b>159,000</b>	–
Other non-current assets		<b>128,434</b>	128,434
		<b>6,755,104</b>	6,392,369
<b>Current assets</b>			
Inventories – food, beverages and general stores		<b>719</b>	768
Deposits paid for acquisition of leasehold land		<b>352,182</b>	338,463
Stock of properties		<b>769,393</b>	731,373
Other loan receivables		<b>150,000</b>	–
Debtors, deposits and prepayments	8	<b>119,700</b>	158,285
Equity investments		<b>117,482</b>	84,577
Debt investment		<b>7,903</b>	7,960
Bank balances and cash		<b>1,303,174</b>	1,728,748
		<b>2,820,553</b>	3,050,174

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AT 30TH SEPTEMBER, 2017**

	<i>Note</i>	<b>30.9.2017</b> <b>HK\$'000</b> <b>(unaudited)</b>	31.3.2017 <i>HK\$'000</i> <b>(audited)</b>
<b>Current liabilities</b>			
Creditors, deposits and accrued charges	9	<b>190,091</b>	164,187
Amount due to an associate		<b>419,001</b>	418,915
Tax payables		<b>178,622</b>	177,550
Obligations under finance leases			
– due within one year		<b>85</b>	109
Bank and other borrowings			
– due within one year		<b>1,341,129</b>	1,464,526
		<b>2,128,928</b>	2,225,287
<b>Net current assets</b>		<b>691,625</b>	824,887
<b>Total assets less current liabilities</b>		<b>7,446,729</b>	7,217,256
<b>Non-current liabilities</b>			
Loan notes – due after one year		<b>1,527,351</b>	1,515,550
Obligations under finance leases			
– due after one year		<b>90</b>	126
Bank and other borrowings – due after one year		<b>134,262</b>	124,154
		<b>1,661,703</b>	1,639,830
		<b>5,785,026</b>	5,577,426
<b>Capital and reserves</b>			
Share capital		<b>9,145</b>	8,873
Reserves		<b>5,772,269</b>	5,565,402
Equity attributable to owners of the Company		<b>5,781,414</b>	5,574,275
Non-controlling interests		<b>3,612</b>	3,151
		<b>5,785,026</b>	5,577,426

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2017

### 1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” and other relevant HKAS and interpretations and Hong Kong Financial Reporting Standards (“**HKFRS(s)**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). The condensed consolidated financial statements should be read in conjunction with the annual audited financial statements for the year ended 31st March, 2017, which have been prepared in accordance with HKFRSs.

### 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for investment properties and certain financial instruments, which are measured at fair values.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30th September, 2017 are the same with those followed in the preparation of the Group’s annual financial statements for the year ended 31st March, 2017 except that in the current interim period, the Group has applied, for the first time, certain amendments to HKFRSs issued by the HKICPA that are mandatorily effective for the current interim period. However, such application of amendments to HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in the condensed consolidated financial statements.

### 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 purpose 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 six months ended 30th September, 2017**

	Segment revenue <i>HK\$'000</i>	Operating profit (loss) <i>HK\$'000</i>	Share of results of associates <i>HK\$'000</i>	Share of results of joint ventures <i>HK\$'000</i>	Finance costs <i>HK\$'000</i>	Segment results: profit (loss) before taxation <i>HK\$'000</i>
Property	8,914	306,105	74,518	67,900	(8,473)	440,050
Hotel and leisure	67,207	(25,201)	(3,705)	9,006	(6,346)	(26,246)
Securities investments	461	(26,031)	-	-	-	(26,031)
Finance	32,200	32,184	-	-	-	32,184
<b>SEGMENT TOTAL</b>	<b>108,782</b>	<b>287,057</b>	<b>70,813</b>	<b>76,906</b>	<b>(14,819)</b>	<b>419,957</b>
Unallocated	-	(62,491)	-	(32,320)	(40,877)	(135,688)
<b>GROUP TOTAL</b>	<b>108,782</b>	<b>224,566</b>	<b>70,813</b>	<b>44,586</b>	<b>(55,696)</b>	<b>284,269</b>

For the six months ended 30th September, 2016

	Segment revenue <i>HK\$'000</i>	Operating profit (loss) <i>HK\$'000</i>	Share of results of associates <i>HK\$'000</i>	Share of results of joint ventures <i>HK\$'000</i>	Finance costs <i>HK\$'000</i>	Segment results: profit (loss) before taxation <i>HK\$'000</i>
Property	8,176	4,435	425,464	5,252	(6,903)	428,248
Hotel and leisure	52,761	15	(3,488)	2,586	(6,571)	(7,458)
Securities investments	431	21,632	-	-	-	21,632
Finance	18,294	20,225	-	-	-	20,225
<b>SEGMENT TOTAL</b>	<b>79,662</b>	<b>46,307</b>	<b>421,976</b>	<b>7,838</b>	<b>(13,474)</b>	<b>462,647</b>
Unallocated	-	(45,256)	-	(31,699)	(9)	(76,964)
<b>GROUP TOTAL</b>	<b>79,662</b>	<b>1,051</b>	<b>421,976</b>	<b>(23,861)</b>	<b>(13,483)</b>	<b>385,683</b>

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. Financial information provided to the CODM is measured in a manner consistent with the accounting policies adopted in the preparation of the condensed consolidated financial statements.

#### 4. FINANCE COSTS

	<b>Six months ended</b>	
	<b>30.9.2017</b>	30.9.2016
	<b>HK\$'000</b>	HK\$'000
Effective interest on loan notes	<b>40,871</b>	2,821
Interest on bank and other borrowings	<b>16,548</b>	14,091
Interest on obligations under finance leases	<b>6</b>	9
	<hr/>	<hr/>
Total borrowing costs	<b>57,425</b>	16,921
Less: amounts capitalised in qualifying assets	<b>(1,729)</b>	(3,438)
	<hr/>	<hr/>
	<b>55,696</b>	13,483
	<hr/> <hr/>	<hr/> <hr/>

#### 5. PROFIT FOR THE PERIOD

	<b>Six months ended</b>	
	<b>30.9.2017</b>	30.9.2016
	<b>HK\$'000</b>	HK\$'000
Profit for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	<b>14,341</b>	4,840
Cost of inventories recognised as an expense	<b>4,106</b>	4,370
(Gain) loss on disposal of property, plant and equipment	<b>(84)</b>	3
Bank interest income	<b>(742)</b>	(208)
Other interest income	<b>(20,066)</b>	(23,136)
	<hr/>	<hr/>
	<b>(20,066)</b>	(23,136)
	<hr/> <hr/>	<hr/> <hr/>



## 6. DISTRIBUTION

	<b>Six months ended</b>	
	<b>30.9.2017</b>	30.9.2016
	<b>HK\$'000</b>	<b>HK\$'000</b>
Dividends recognised as distribution during the period:		
Final dividend declared for the year ended 31st March, 2017 – HK12 cents (2016: HK10 cents) per ordinary share	<b>106,477</b>	86,034
Special dividend declared for the year ended 31st March, 2016 – HK10 cents per ordinary share	–	86,034
	<b>106,477</b>	172,068
Dividends in form of:		
– Cash	<b>31,022</b>	103,401
– Scrip dividend	<b>75,455</b>	68,667
	<b>106,477</b>	172,068
Dividends declared in respect of the current period:		
Interim dividend declared for the current period – HK10 cents (2016: HK10 cents) per ordinary share	<b>91,448</b>	88,476

Subsequent to the end of the current interim period, the Directors have resolved that an interim dividend of HK10 cents per ordinary share of the Company (the “Share(s)”) for the six months ended 30th September, 2017 will be payable in cash with an option to elect scrip dividend of Shares, in respect of all or part of such dividend, and has been calculated by reference to the 914,476,459 issued Shares outstanding as at the date of this announcement.

## 7. EARNINGS PER SHARE

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

	<b>Six months ended</b>	
	<b>30.9.2017</b>	30.9.2016
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Earnings:</b>		
Profit for the period attributable to the owners of the Company and earnings for the purpose of basic and diluted earnings per Share	<b>284,344</b>	385,852
<b>Number of Shares:</b>		
Weighted average number of Shares for the purpose of basic earnings per Share	<b>887,569,308</b>	860,362,161
Effect of dilutive potential Shares:		
– Share options	<b>78,858</b>	103,788
Weighted average number of Shares for the purpose of diluted earnings per Share	<b>887,648,166</b>	860,465,949

## 8. 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 (31st March, 2017: 60 days) to its trade customers. Included in debtors, deposits and prepayments are trade debtors of approximately HK\$2,562,000 (31st March, 2017: HK\$2,870,000).

The following is an aged analysis of trade debtors, net of allowance for doubtful debts, presented based on the invoice date at the end of the reporting period.

	<b>30.9.2017</b> <i>HK\$'000</i> <b>(unaudited)</b>	31.3.2017 <i>HK\$'000</i> (audited)
Trade debtors aged:		
0-60 days	<b>2,465</b>	2,708
61-90 days	<b>30</b>	54
Over 90 days	<b>67</b>	108
	<u><b>2,562</b></u>	<u>2,870</u>

## 9. CREDITORS, DEPOSITS AND ACCRUED CHARGES

Included in creditors, deposits and accrued charges are trade creditors of approximately HK\$2,507,000 (31st March, 2017: HK\$1,716,000).

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

	<b>30.9.2017</b> <i>HK\$'000</i> <b>(unaudited)</b>	31.3.2017 <i>HK\$'000</i> (audited)
Trade creditors aged:		
0-60 days	<b>2,465</b>	1,706
61-90 days	-	10
Over 90 days	<b>42</b>	-
	<u><b>2,507</b></u>	<u>1,716</u>

## **INTERIM DIVIDEND**

The Board has declared an interim dividend (the “**Interim Dividend**”) of HK10 cents per Share for the six months ended 30th September, 2017 (2016: HK10 cents per Share) to the shareholders of the Company (the “**Shareholders**”) whose names appear on the register of members of the Company (the “**Register of Members**”) as at the close of business on Thursday, 14th December, 2017. The Interim Dividend is expected to be paid to the Shareholders on or about Monday, 22nd January, 2018.

The Board has also resolved that the Interim Dividend should be satisfied in cash, with an option to elect scrip dividend of Shares, in respect of part or all of such dividend. The issue price of the Shares to be issued under the scrip dividend proposal will be fixed by reference to the average of the closing prices of the Shares for the three consecutive trading days ending Thursday, 14th December, 2017 less a discount of five percent of such average price or the par value of the Shares, whichever is higher. The scrip dividend proposal is conditional upon the Stock Exchange granting the listing of, and permission to deal in, the new Shares to be issued. A circular containing full details of the scrip dividend proposal and a form of election will be sent to the Shareholders.

## **CLOSURE OF REGISTER OF MEMBERS**

For the purpose of ascertaining Shareholders’ entitlement to the Interim Dividend, the Register of Members will be closed from Wednesday, 13th December, 2017 to Thursday, 14th December, 2017, both days inclusive, during which period no transfer of the Shares will be registered. The Shares will be traded ex-dividend as from Monday, 11th December, 2017. In order to be entitled to the 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 for registration by no later than 4:30 p.m. on Tuesday, 12th December, 2017.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

For the six months ended 30th September, 2017, the Group’s revenue amounted to HK\$108.8 million (30.9.2016: HK\$79.7 million), representing a surge of 36.6%, and gross profit increased to HK\$47.2 million (30.9.2016: HK\$36.6 million) which is mainly due to the opening of Le Petit Rosedale Hotel in October 2016. Correspondingly, though partly offset by the reimbursement of preliminary expenses incurred in the prior years for the Cisco (Guangzhou) Smart City Project of HK\$27.9 million, administrative and other expenses increased to HK\$129.3 million (30.9.2016: HK\$123.1 million). As the value of commercial properties in core districts of Hong Kong continues to accelerate, there was a significant increase in the fair value of the Group’s investment properties of HK\$269.4 million (30.9.2016: HK\$2.2 million) recognised during the period under review. Coupled with the share of results of associates and joint ventures of HK\$115.4 million, mainly from sale of properties, the Group recorded a profit for the period attributable to owners of the Company of HK\$284.3 million, representing a reduction of 26.3% as compared to HK\$385.9 million for the comparative period last year.

## **Property**

### *Macau*

The Group recognised a profit of HK\$74.6 million from its associate during the period under review which is the developer of a residential and commercial project named “One Oasis” and “Sky Oasis” in Cotai South, Macau, upon the handover of the remaining units and ancillary car parks of blocks 10 to 12. Marketing and pre-sale of Sky Oasis is ongoing and sale amount of HK\$2.7 billion has been secured during the period under review. The scariest typhoon Hato battered Macau in August 2017 and had caused some damages and hence delay to the construction of Sky Oasis. Empresa de Fomento Industrial E Comercial Concórdia, S.A. is trying hard to expedite the rectification works in order to catch up with the schedules for the handover of the presold units before 31st March, 2018 and pre-sale of the remaining blocks as planned.

### *Hong Kong*

The renovation works of Cheuk Nang Plaza in Wanchai are in progress, upon which completion the building will be renamed as “ITC Building”. The Group recorded an increase in fair value of HK\$249.4 million from this property during the period under review.

The foundation works for constructing a super luxury residential mid-rise building at No. 23 Po Shan Road and URA residential project at Nos. 205-211A Hai Tan Street have been progressing as scheduled. The demolition of properties at Nos. 41, 43 and 45 of Pau Chung Street has been completed and foundation works for the residential tower with retail shops at the lower-levels will start soon.

During the period under review, a joint venture has disposed of all its remaining interests in yoo Residence which contributed a profit of HK\$79.5 million to the Group.

### *Overseas*

The preliminary works for the redevelopment of the sites located at Alberni Street in Vancouver and Greycoat Place in London were progressing well.

## **Hotel and Leisure**

There were improvements in both the occupancy and average room rate during the period in the Group’s hotels in Hong Kong. After the acquisition in December 2016, the performance of The Westin Bayshore in Vancouver remains satisfactory which revenue is slightly behind that of the comparative period last year due to reduction in food and beverage income but managed to achieve a breakeven during this low season. As a result, revenue from this segment was HK\$67.2 million (30.9.2016: HK\$52.8 million), mainly generated from hotel operations of Rosedale Hotel Kowloon. However, due to some one-off accounting adjustments including charging of rental expenses on a straight-line basis to profit or loss, the segmental loss amounted to HK\$26.2 million (30.9.2016: HK\$7.5 million).

Outlined below is a summary of the Group's prevailing interest in properties significant to its operations as at the date of this announcement:

Location	Usage	Group's interests (%)	Attributable gross floor area (sq. ft.)
<b>Macau</b>			
One Oasis and Sky Oasis situated at Estrada de Seac Pai Van	Residential/ Commercial	35.5	766,310
<b>Sub-total</b>			<b>766,310</b>
<b>Hong Kong</b>			
Redevelopment project situated at No. 23 Po Shan Road, Mid-levels	Residential	40	32,000
Redevelopment project situated at Nos. 41, 43 and 45, Pau Chung Street, To Kwa Wan	Residential/ Shops	100	30,000
Redevelopment project situated at Nos. 205–211A Hai Tan Street, Sham Shui Po	Residential/ Commercial	100	38,000
Premises situated at 30/F., Bank of America Tower, No. 12 Harcourt Road, Central	Office	100	13,880
Cheuk Nang Plaza situated at Nos. 244, 246, 248 and 250 Hennessy Road, Wanchai	Office	100	55,600
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
<b>Sub-total</b>			<b>244,480</b>
<b>PRC</b>			
Land situated at the Cyber Park, Sanya City, Hainan Province	Hotel	100	886,000
<b>Sub-total</b>			<b>886,000</b>
<b>Overseas</b>			
Redevelopment project situated at 1444 Alberni Street, 711 Broughton Street and 740 Nicola Street, Vancouver, BC, Canada	Residential/ Commercial	28	181,000
The Westin Bayshore situated at 1601 Bayshore Drive, Vancouver, BC, Canada	Hospitality/ Conference/ Ancillary uses	50	221,000
Townsend House situated at Greycoat Place, London, United Kingdom	Commercial	90.1	23,900
<b>Sub-total</b>			<b>425,900</b>
<b>Total</b>			<b>2,322,690</b>

## **Securities Investments**

During the period, revenue and segmental loss from securities investment were HK\$0.5 million (30.9.2016: HK\$0.4 million) and HK\$26.0 million (30.9.2016: segmental profit of HK\$21.6 million) respectively representing the unrealised loss due to the drop in market price.

In addition, there was HK\$133.6 million net loss on fair value changes of equity investments charged as other comprehensive expense during the period due to the share price fluctuation of The 13 Holdings Limited (“**The 13**”) in which the Group owns 11.1% interests. As disclosed in the announcement dated 20th October, 2017 of The 13, there should be adequate fund after the fund raising to facilitate the opening of its hotel in Macau around first quarter next year. The Group is still confident in the prospects of The 13 and has undertaken to accept the assured entitlements to the shares of The 13 under its rights issue in full for about HK\$112.2 million.

At the end of the reporting period, the Group had equity investments totaling HK\$238.7 million, mainly composed of securities listed in Hong Kong.

## **Finance**

In the second half of the year ended 31 March, 2017, the Group subscribed the 3-year 9.5% loan notes issued by Master Glory Group Limited in the principal amount of HK\$500 million and advanced HK\$179.6 million to a joint venture partner in connection with the acquisition of 50% interests in The Westin Bayshore Vancouver. As a result, the Group had interest income of HK\$32.2 million (30.9.2016: HK\$18.3 million) during the period under review. At the end of the reporting period, other loan receivables of the Group amounted to HK\$829.6 million.

## **Paul Y. Engineering Group Limited**

In June 2017, the Group has entered into an agreement to purchase from The 13 a 45.8% interest in Paul Y. Engineering Group Limited, which is one of the leading management contractors in Hong Kong and Macau and is principally engaged in civil engineering, building construction and foundation works, project management, manufacturing and trading of construction materials for HK\$265.2 million. The completion of the purchase is pending fulfillment of certain conditions by The 13.

## **FINANCIAL REVIEW**

As at 30th September, 2017, the Group had total bank and other borrowings of HK\$1,475.4 million and loan notes of HK\$1,527.4 million. After netting off bank balances and cash of HK\$1,303.2 million and comparing with the Group's shareholders' funds of HK\$5,781.4 million, the Group's net gearing ratio at 30th September, 2017 was 0.29 (31.3.2017: 0.25). All of the bank and other 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 30th September, 2017, the Group had unused banking facilities of HK\$381.7 million which can be utilised to finance the construction of properties and the working capital of the Group. During the six months ended 30th September, 2017, a total of HK\$46.2 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\$250.0 million of the Group's borrowings will be due for repayment in the coming year in accordance with the repayment schedule while another HK\$1,091.1 million was classified as current liabilities since the lenders have rights to demand immediate repayment. The Group will continue to closely monitor its liquidity and working capital requirement to ensure appropriate financing arrangements are made when necessary.

The majority of the Group's assets and liabilities is denominated in Hong Kong dollars, Renminbi, Macau Pataca, United States dollars and Canadian dollars. Though no hedging instruments were engaged, the Group will closely monitor its foreign exchange risk exposure.

## **PROSPECTS**

Property prices in both Hong Kong and Macau continue to soar due to the expected shortage of land supply in the foreseeable future. Improvements in economy of most developed western countries were seen though there remained uncertainties with macro-economic policies that vary in scale and intensity across countries, including but not limited to the threat from North Korea, the speculation on the US interest rate hike and the impacts of Brexit. Nevertheless, the Group is confident in carrying out its mission and dealing with challenges ahead. In addition to stepping its 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.

## **PLEDGE OF ASSETS**

As at 30th September, 2017, the Group's general credit facilities granted by banks and other lender were secured by pledges of the Group's investment properties of HK\$1,042.0 million, stock of properties of HK\$643.6 million, interest in a joint venture of HK\$58.0 million and property, plant and equipment of HK\$781.7 million.



## **CONTINGENT LIABILITIES**

At 30th September, 2017, the Group provided corporate guarantees on a several basis to the extent of (i) HK\$21.0 million (31.3.2017: HK\$21.0 million), HK\$388.2 million (31.3.2017: HK\$362.2 million) and HK\$149.0 million (31.3.2017: HK\$138.7 million) in respect of the banking facilities granted to three joint ventures (which are owned as to 50%, 50% and 28% equity interests by the Group respectively) with the total outstanding amounts of HK\$18.3 million (31.3.2017: HK\$18.8 million), HK\$375.5 million (31.3.2017: HK\$349.6 million) and HK\$149.0 million (31.3.2017: HK\$138.7 million); and (ii) HK\$565.7 million (31.3.2017: 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\$331.9 million (31.3.2017: HK\$331.4 million).

## **NUMBER OF EMPLOYEES AND REMUNERATION POLICIES**

As at 30th September, 2017, the total number of employees of the Group was 302 (31.3.2017: 273). Employees are remunerated according to their qualifications, experience, job nature and performance and under the pay scales aligned with market conditions. Other benefits to employees include medical, insurance coverage, share option scheme and retirement scheme.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30th September, 2017.

## **SECURITIES IN ISSUE**

During the six months ended 30th September, 2017, (i) a total of 27,170,324 new Shares were issued by the Company pursuant to the scrip dividend scheme in relation to the final dividend for the year ended 31st March, 2017 and (ii) 60,000 new Shares were issued by the Company upon exercise by a holder of the share options granted under the share option scheme of the Company adopted on 17th August, 2012 (the "2012 Share Option Scheme") at the exercise price of HK\$3.00 per Share.

As at 30th September, 2017, (i) there were 914,476,459 Shares in issue and (ii) 4,185,000 share options granted by the Company at the exercise price of HK\$3.00 per Share pursuant to the 2012 Share Option Scheme remained outstanding.

Save as disclosed above, there was no movement in the securities in issue of the Company during the six months ended 30th September, 2017.



## **REVIEW OF INTERIM RESULTS**

The interim results for the six months ended 30th September, 2017 are unaudited, but have been reviewed by the Company's auditor in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. Also, 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 interim results for the six months ended 30th September, 2017.

## **COMPLIANCE WITH 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 Shareholders' values and interests as well as enhancing the transparency and accountability to the stakeholders.

The Company has, throughout the six months ended 30th September, 2017, 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 regarding securities transactions by the Directors. 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 six months ended 30th September, 2017.

## **PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT**

This interim results announcement is published on both the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and on the website of the Company at [www.itcproperties.com](http://www.itcproperties.com). The interim report of the Company for the six months ended 30th September, 2017 containing all information required by the Listing Rules will be despatched to the Shareholders and will be published on the respective websites of the Stock Exchange and the Company in due course.

On behalf of the Board  
**ITC Properties Group Limited**  
**Cheung Hon Kit**  
*Chairman*

Hong Kong, 22nd November, 2017

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