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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 30 SEPTEMBER 2019**

	Six months ended	
	30.9.2019	30.9.2018
FINANCIAL HIGHLIGHTS		
<i>(All in Hong Kong dollar)</i>		
Revenue		
Per condensed consolidated statement of profit or loss	\$111 million	\$124 million
Property income and hotel revenue		
– share of associates and joint ventures	\$201 million	\$1,141 million
– by way of disposal of interest in a joint venture	\$167 million	–
	<u>\$479 million</u>	<u>\$1,265 million</u>
Net (loss) profit	<u>\$(521) million</u>	<u>\$289 million</u>
Basic (loss) earnings per share	<u>(54) cents</u>	<u>31 cents</u>
Interim dividend per share	<u>3 cents</u>	<u>10 cents</u>

* For identification purpose only

The board of directors (the “**Director**”) (the “**Board**”) of ITC Properties Group Limited (the “**Company**”) is pleased to present the interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 September 2019 (the “**Period**”).

BUSINESS REVIEW

Due to the ongoing civil unrest in Hong Kong, the local hospitality industry is far more challenging than any other time. For the Period, the Group’s revenue decreased by 10% to HK\$110.8 million and gross profit dropped by 26% to HK\$38.5 million. The current economic downturn also dampens the local property market, leading to decrease in fair value of properties in Hong Kong held by the Group and its joint venture. Furthermore, a significant loss allowance for expected credit loss (“**ECL**”) was recognised for the Period on the HK\$500 million unsecured loan notes (the “**MG Loan Notes**”), together with the outstanding interest accrued thereon, held by the Group and issued by Master Glory Group Limited (“**Master Glory**”), whose shares trading has been suspended on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since 2 July 2019. As a result, the Group recorded a net loss for the Period attributable to owners of the Company of HK\$520.6 million (30.9.2018: profit of HK\$288.8 million).

The Board has declared an interim dividend (the “**Interim Dividend**”) of HK3 cents per ordinary share of the Company (the “**Share**”) for the Period (2018: HK10 cents per Share). The Interim Dividend will be payable in cash.

Property

Segment loss for the Period amounting to HK\$78.2 million was recorded, as compared to segment profit of HK\$433.2 million for the corresponding period in last financial year.

Macau

During the Period, the Group shared a profit of HK\$30.7 million (30.9.2018: HK\$513.5 million) from its associate, which is the developer of One Oasis, Sky Oasis and Grand Oasis in Cotai South, Macau.

With the solid market reputation established from the delivery of high quality residential units to the end users in the previous years, presale of blocks 16 to 20 has recorded positive results and has secured revenue of exceeding HK\$5 billion. Presale of the remaining units in blocks 16 to 20 was launched in late November 2019.

Hong Kong

250 Hennessy is a 31-storey commercial building with 25 car parking spaces situated at the heart of Wanchai district along Hennessy Road. 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 first quarter of 2020.

The redevelopment project at No. 205 Hai Tan Street, Sham Shui Po, which has been named as Hyde Park, is a project with the Urban Renewal Authority mainly consisting of 76 residential flats with a commercial podium. Its superstructure works are expected to be completed by the end of 2019, with sale to be launched in the coming few months.

The project at Nos. 41, 43 and 45 Pau Chung Street, To Kwa Wan is a redevelopment project comprising a residential tower with retail shops at lower levels. Its foundation works are in progress and completion of the new composite building is expected by 2021, while presale of this project is planned to be launched in 2020.

The site at Nos. 21, 23, 25, 27, 29 and 31 Sheung Heung Road, To Kwa Wan is presently planned for residential redevelopment upon completion of the acquisition of the remaining 20% of the lots and the compliance with town planning issues.

PRC

Dabiao International Centre is a composite tower comprising a commercial podium, offices and a hotel, which is situated at Haizhu District, Guangzhou City and conveniently connected to the Changgang Metro Station. The leasing rate of the property is high and contributes fair rental income to the Group.

Overseas

Vancouver, Canada

The rezoning of the residential redevelopment project at Alberni Street in downtown Vancouver has been approved. The demolition work is expected to commence in 2020, with presale to be launched in late 2020.

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

Due to the ongoing civil unrest in Hong Kong, the occupancy and average room rate of Le Petit Rosedale Hotel and Rosedale Hotel Kowloon plunged rapidly. As a result, revenue from this segment decreased to HK\$63.6 million (30.9.2018: HK\$76.7 million). Correspondingly, segment loss of HK\$145.0 million (30.9.2018: segment profit of HK\$23.3 million) was recorded and such loss was mainly attributable to the share of the decrease in the fair value of Rosedale Hotel Kowloon held by a joint venture of the Group. For the overseas hotel operation, The Westin Bayshore in Vancouver contributed a stable return to the Group.

THE 13 Hotel

The Group, on 14 October 2019, entered into a conditional sale and purchase agreement for the acquisition, at a consideration of HK\$300 million, of 20% equity interests in Uni-Dragon Limited (“**Uni-Dragon**”) which indirectly holds THE 13 Hotel, a 22-storey luxury 5-star hotel located at Cotai Strip of Macau and consisting of approximately 200 suites and other facilities such as restaurants, health club and banquet hall. The completion of the transaction is pending fulfilment of certain conditions. Details of the transaction were disclosed in the announcement of the Company dated 16 October 2019.

Renaissance Shanghai Caohejing Hotel

On 29 November 2019, the Group acquired 9.5% effective interests in Renaissance Shanghai Caohejing Hotel (“**SH Renaissance**”) at a consideration of HK\$146.4 million. Pursuant to the relevant sale and purchase agreement, the Group has been granted an option under which the Group is entitled to acquire additional 6.5% effective interests in SH Renaissance at an aggregate consideration of HK\$100 million within 18 months. SH Renaissance is located in Xuhui District, Shanghai, the PRC, with a total gross floor area of approximately 64,500 sq. m., comprising above ground level area of approximately 39,200 sq. m. and two basement floors with area of approximately 25,300 sq. m.. It consists of about 380 rooms and other facilities, such as restaurants, ballroom, retail shops and car parking spaces.

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	619,053
Sub-total			619,053
Hong Kong			
Redevelopment project situated at Nos. 41, 43 and 45 Pau Chung Street, To Kwa Wan	Residential/Commercial	100	30,000
Hyde Park situated at No. 205 Hai Tan Street, Sham Shui Po	Residential/Commercial	100	38,770
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 ⁽¹⁾	72	23,535
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			268,785

Location	Usage	Group's interests (%)	Attributable gross floor area (sq. ft.)
PRC			
Land situated at the Yazhou Bay Science and Technology City, 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	Residential/Commercial ⁽²⁾	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			2,404,238

Notes:

- (1) The property is planned for residential redevelopment upon completion of the acquisition and compliance with town planning issues.
- (2) The property is planned for residential and commercial redevelopment.

Securities Investments

Segment loss from securities investments for the Period was HK\$5.9 million (30.9.2018: HK\$95.1 million), representing the unrealised loss due to the drop in market price.

As at 30 September 2019, the Group had equity and fund investments in aggregate of HK\$171.8 million, 73% being unlisted securities and funds denominated in United States dollars and the remaining 27% being listed securities denominated in Hong Kong dollars.

Finance

The Group had interest income of HK\$36.9 million (30.9.2018: HK\$38.6 million) and segment loss from finance of HK\$194.3 million (30.9.2018: segment profit HK\$53.2 million). The segment loss was attributable to a significant loss allowance for ECL of HK\$219.5 million recognised on the MG Loan Notes, together with the outstanding interest accrued thereon, held by the Group. Subsequent to the end of the Period, the MG Loan Notes in the principal amount of HK\$180.0 million, together with interest accrued thereon, have been utilised as partial settlement of the consideration for the acquisition of SH Renaissance at an agreed value of HK\$96.4 million.

As at 30 September 2019, other loan receivables of the Group amounted to HK\$453.7 million.

Paul Y. Engineering Group Limited

Completion of the Group's acquisition of 45.8% interests in Paul Y. Engineering Group Limited from South Shore Holdings Limited ("**South Shore**") is still pending fulfilment of certain conditions by South Shore, and is expected to take place by 31 March 2020.

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 30 September 2019, the Group had total bank borrowings of HK\$1,733.2 million and loan notes of HK\$1,535.6 million. After netting off bank balances and cash of HK\$848.6 million and comparing with the Group's shareholders' funds of HK\$4,602.7 million, the Group's net gearing ratio as at 30 September 2019 was 0.53 (31.3.2019: 0.47). 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 30 September 2019, the Group had unused banking facilities of HK\$337.4 million which can be utilised to finance the construction of properties and the working capital of the Group. During the Period, a total of HK\$570.5 million bank borrowings were drawn down to finance the projects in Hong Kong and the working capital of the Group. An aggregate amount of HK\$101.2 million of the Group's borrowings will be due for repayment in the coming financial year in accordance with the repayment schedule while another HK\$1,632.0 million was classified as current liabilities 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, associates 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 joint ventures and an associate, to which the Group has granted guarantees, are denominated in Hong Kong dollars, United States dollars, Canadian dollars and Pound Sterling. For the Period, an unrealised loss on exchange differences of HK\$29.4 million was charged as other comprehensive expense, mainly arisen from translations of operations in the

PRC due to the depreciation of Renminbi. The majority of the Group's cash and cash equivalents 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.

During the Period, the Company cancelled a total of 9,455,000 Shares upon repurchase which led to an enhancement in the net asset value per Share and the earnings per Share. In addition, the Group, upon repurchase, cancelled a principal amount of US\$1.8 million of the 4.75% guaranteed notes due 2021 issued by Treasure Generator Limited, a wholly-owned subsidiary of the Company, and guaranteed by the Company. As a result, the aggregate principal amount of the guaranteed notes decreased to US\$198.2 million. The Directors believed that the repurchases of Shares and guaranteed notes benefited the Company and its shareholders (the "Shareholders") as a whole.

Pledge of Assets

As at 30 September 2019, the Group's general credit facilities granted by banks were secured by pledges of the Group's investment properties of HK\$818.0 million, stock of properties of HK\$788.8 million, property, plant and equipment of HK\$895.6 million and debt investments of HK\$90.3 million.

Contingent Liabilities

At 30 September 2019, the Group provided corporate guarantees on a several basis with maximum liabilities of (i) HK\$533.1 million (31.3.2019: HK\$365.4 million), HK\$58.0 million (31.3.2019: HK\$58.0 million), HK\$307.2 million (31.3.2019: HK\$320.0 million) and HK\$232.2 million (31.3.2019: HK\$230.4 million) in respect of the banking facilities granted to four joint ventures (which are owned as to 50%, 50%, 40% and 28% by the Group respectively) with the outstanding amounts attributable to the Group's interests of HK\$533.1 million (31.3.2019: HK\$352.7 million), HK\$57.8 million (31.3.2019: HK\$57.8 million), HK\$307.2 million (31.3.2019: HK\$320.0 million) and HK\$142.5 million (31.3.2019: HK\$139.9 million); and (ii) HK\$565.7 million (31.3.2019: HK\$565.7 million) in respect of the banking facilities granted to an associate (which is owned as to 40% by the Group) with the outstanding amount attributable to the Group's interests of HK\$359.7 million (31.3.2019: HK\$354.8 million).

PROSPECTS

The tension arising from US-China trade war and Brexit increases uncertainties on the global economy. The continuous civil unrest in Hong Kong seriously ravages the Hong Kong economy, in which the hospitality industry and tourism-related businesses have been experiencing the sharpest downturn. Nevertheless, the Group remains confident in carrying out its mission and dealing with challenges ahead. We will focus on the presale of remaining blocks in Sky Oasis and Grand Oasis, the sale of units of Hyde Park and the redevelopment projects in Po Shan Road and Pau Chung Street to secure the revenue for the coming few years. In addition to stepping our businesses further to the PRC, Macau, 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.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

	Notes	Six months ended	
		30.9.2019 HK\$'000 (unaudited)	30.9.2018 HK\$'000 (unaudited)
Revenue	3	<u>110,809</u>	<u>123,544</u>
Hotel operation income		63,636	76,727
Property income		<u>10,264</u>	<u>8,265</u>
		73,900	84,992
Direct cost for hotel operation income and property income		<u>(35,356)</u>	<u>(32,625)</u>
Gross profit for hotel operation income and property income		38,544	52,367
Interest revenue from loan financing		36,909	38,552
Net fair value loss on financial instruments		(4,466)	(94,480)
Other income, gains and losses		33,774	34,219
(Provision for) reversal of impairment losses, net		(232,817)	10,599
Gain on disposal of joint ventures		40,574	–
(Decrease) increase in fair value of investment properties		(107,063)	4,991
Administrative and other expenses		(156,966)	(155,156)
Finance costs	4	(66,984)	(60,964)
Share of results of associates		23,236	509,643
Share of results of joint ventures		<u>(125,585)</u>	<u>(50,267)</u>
(Loss) profit before taxation		(520,844)	289,504
Taxation		–	(897)
(Loss) profit for the period	5	<u>(520,844)</u>	<u>288,607</u>
(Loss) profit for the period attributable to:			
Owners of the Company		(520,562)	288,750
Non-controlling interests		<u>(282)</u>	<u>(143)</u>
		<u>(520,844)</u>	<u>288,607</u>
(Loss) earnings per share	7		
– Basic (HK dollar)		<u>(0.54)</u>	<u>0.31</u>
– Diluted (HK dollar)		<u>(0.54)</u>	<u>0.31</u>

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

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

	Six months ended	
	30.9.2019	30.9.2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
(Loss) profit for the period	<u>(520,844)</u>	<u>288,607</u>
Other comprehensive (expense) income		
<i>Item that will not be reclassified to profit or loss:</i>		
Loss on fair value changes of financial assets designated as at fair value through other comprehensive income	(25,324)	(8,609)
<i>Items that may be subsequently reclassified to profit or loss:</i>		
Reclassification adjustment of translation reserve to profit or loss upon disposal of joint ventures	(709)	–
Exchange differences arising on translation of foreign operations	(29,431)	(48,760)
Share of translation reserve of associates and joint ventures	<u>(18,325)</u>	<u>2,845</u>
Other comprehensive expense for the period	<u>(73,789)</u>	<u>(54,524)</u>
Total comprehensive (expense) income for the period	<u>(594,633)</u>	<u>234,083</u>
Total comprehensive (expense) income for the period attributable to:		
Owners of the Company	(593,952)	234,816
Non-controlling interests	<u>(681)</u>	<u>(733)</u>
	<u>(594,633)</u>	<u>234,083</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 SEPTEMBER 2019

	<i>Note</i>	30.9.2019 HK\$'000 (unaudited)	31.3.2019 <i>HK\$'000</i> (audited)
Non-current assets			
Property, plant and equipment		942,310	922,544
Investment properties		818,000	922,000
Equity and fund investments		44,760	70,093
Interests in joint ventures		785,182	1,179,333
Amounts due from joint ventures		484,871	558,067
Interests in associates		2,152,673	2,132,226
Amount due from an associate		24,686	16,686
Other loan receivables		73,321	168,630
Deposit paid for acquisition of an associate		159,000	159,000
Other non-current assets		182,252	173,252
		5,667,055	6,301,831
Current assets			
Inventories – food, beverages and general stores		843	744
Deposits paid for acquisition of leasehold land		337,426	354,997
Stock of properties		1,246,346	1,110,937
Other loan receivables		380,356	584,929
Debtors, deposits and prepayments	8	213,389	169,735
Equity and fund investments		127,051	121,816
Debt investments		90,303	–
Bank balances and cash		848,618	526,187
		3,244,332	2,869,345

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 SEPTEMBER 2019

	<i>Note</i>	30.9.2019 HK\$'000 (unaudited)	31.3.2019 <i>HK\$'000</i> (audited)
Current liabilities			
Creditors, deposits and accrued charges	9	205,074	193,770
Amount due to an associate		586,405	408,128
Tax payable		201,424	202,992
Lease liabilities		43,445	–
Obligations under finance leases		–	130
Bank borrowings		1,733,249	1,479,545
		<u>2,769,597</u>	<u>2,284,565</u>
Net current assets		<u>474,735</u>	<u>584,780</u>
Total assets less current liabilities		<u>6,141,790</u>	<u>6,886,611</u>
Non-current liabilities			
Loan notes		1,535,586	1,547,059
Lease liabilities		1,242	–
Obligations under finance leases		–	438
		<u>1,536,828</u>	<u>1,547,497</u>
		<u>4,604,962</u>	<u>5,339,114</u>
Capital and reserves			
Share capital		9,663	9,753
Reserves		4,592,990	5,326,371
		<u>4,602,653</u>	<u>5,336,124</u>
Equity attributable to owners of the Company		2,309	2,990
Non-controlling interests		<u>4,604,962</u>	<u>5,339,114</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) as well as 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**”). The condensed consolidated financial statements should be read in conjunction with the annual audited financial statements for the year ended 31 March 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRS(s)**”).

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 30 September 2019 are the same with those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2019 except that in the current interim period, the Group has applied, for the first time, certain new and amendments to HKFRSs issued by the HKICPA that are mandatorily effective for the current interim period.

Except for the application of HKFRS 16 “Leases” as described below, the application of the other new and amendments to HKFRSs has no material effect on the condensed consolidated financial statements.

Impacts and changes in accounting policies of application on HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 Leases (“**HKAS 17**”), and the related interpretations.

As a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Short-term leases

The Group applies the short-term lease recognition exemption to leases of office premises that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

Except for short-term leases, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Except for those that are classified as investment properties and measured under fair value model, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets that do not meet the definition of investment property in “property, plant and equipment”, the same line item as that within which the corresponding underlying assets would be presented if they were owned. Right-of-use assets that meet the definition of investment property are presented within “investment properties”.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

Transition and summary of effects arising from initial application of HKFRS 16

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 April 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

As at 1 April 2019, the Group recognised additional lease liabilities and measured right-of-use assets at the carrying amounts as if HKFRS 16 had been applied since commencement dates, but discounted using the incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee’s incremental borrowing rate applied is 4.25% per annum.

	At 1 April 2019 <i>HK\$’000</i>
Operating lease commitments disclosed as at 31 March 2019	89,882
Lease liabilities discounted at relevant incremental borrowing rates	(3,003)
	<hr/> 86,879
Less: Recognition exemption – short-term leases	(671)
	<hr/> 86,208
Lease liabilities relating to operating leases recognised upon application of HKFRS 16	86,208
Add: Obligations under finance leases recognised at 31 March 2019	568
	<hr/> 86,776
Lease liabilities as at 1 April 2019	<hr/> <hr/> 86,776
Analysed as:	
Current	83,731
Non-current	3,045
	<hr/> 86,776
	<hr/> <hr/> 86,776

The carrying amount of right-of-use assets as at 1 April 2019 comprises the following:

	Right-of-use assets HK\$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	70,649
Amounts included in property, plant and equipment under HKAS 17	
– Assets previously under finance leases	553
	<u>71,202</u>
By class:	
Leasehold land and buildings	70,649
Furniture, fixtures and equipment	553
	<u>71,202</u>

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 April 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 March 2019 HK\$'000	Adjustments HK\$'000	Carrying amounts under HKFRS 16 at 1 April 2019 HK\$'000
Non-current assets			
Property, plant and equipment	922,544	70,649	993,193
Current liabilities			
Creditors, deposits and accrued charges	193,770	(8,000)	185,770
Lease liabilities	–	83,731	83,731
Obligations under finance leases	130	(130)	–
Non-current liabilities			
Lease liabilities	–	3,045	3,045
Obligations under finance leases	438	(438)	–
Capital and reserves			
Retained profits	2,107,374	(7,559)	2,099,815

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 30 September 2019 (unaudited)

	Segment revenue <i>HK\$'000</i>	Operating loss <i>HK\$'000</i>	Gain on disposal of joint ventures <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: loss before taxation <i>HK\$'000</i>
Property	10,264	(131,424)	38,494	30,804	2,131	(18,170)	(78,165)
Hotel and leisure	63,636	(24,933)	-	(7,568)	(106,149)	(6,397)	(145,047)
Securities investments	-	(4,972)	-	-	-	(879)	(5,851)
Finance	36,909	(194,253)	-	-	-	-	(194,253)
SEGMENT TOTAL	110,809	(355,582)	38,494	23,236	(104,018)	(25,446)	(423,316)
Unallocated	-	(36,503)	2,080	-	(21,567)	(41,538)	(97,528)
GROUP TOTAL	110,809	(392,085)	40,574	23,236	(125,585)	(66,984)	(520,844)

For the six months ended 30 September 2018 (unaudited)

	Segment revenue <i>HK\$'000</i>	Operating (loss) profit <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	8,265	(727)	513,450	(68,484)	(11,057)	433,182
Hotel and leisure	76,727	(12,999)	(3,807)	48,799	(8,657)	23,336
Securities investments	-	(95,101)	-	-	-	(95,101)
Finance	38,552	53,246	-	-	-	53,246
SEGMENT TOTAL	123,544	(55,581)	509,643	(19,685)	(19,714)	414,663
Unallocated	-	(53,327)	-	(30,582)	(41,250)	(125,159)
GROUP TOTAL	123,544	(108,908)	509,643	(50,267)	(60,964)	289,504

The CODM assesses the performance of the operating segments based on the (loss) profit before taxation of the group entities engaged in the respective segment activities which represents the segment 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

	Six months ended	
	30.9.2019	30.9.2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Effective interest on loan notes	41,399	41,233
Interest on bank and other borrowings	29,198	22,876
Interest on lease liabilities	1,474	–
Interest on obligations under finance leases	–	17
	<hr/>	<hr/>
Total borrowing costs	72,071	64,126
Less: amounts capitalised in qualifying assets	(5,087)	(3,162)
	<hr/>	<hr/>
	66,984	60,964
	<hr/> <hr/>	<hr/> <hr/>

5. (LOSS) PROFIT FOR THE PERIOD

	Six months ended	
	30.9.2019	30.9.2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
(Loss) profit for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	51,846	17,250
Cost of inventories recognised as an expense	3,945	4,207
Loss on disposal of property, plant and equipment	–	91
Gain on early redemption of loan notes	(1,706)	–
Bank interest income	(3,634)	(978)
Other interest income	(11,337)	(22,588)
	<hr/>	<hr/>
	<hr/> <hr/>	<hr/> <hr/>

6. DISTRIBUTION

	Six months ended	
	30.9.2019	30.9.2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Dividends recognised as distribution during the period:		
Second interim dividend, paid for the year ended 31 March 2019		
– HK12 cents (2018: HK12 cents) per Share	116,108	112,526
	<hr/>	<hr/>
Dividends in form of:		
– Cash	115,424	35,464
– Scrip shares	684	77,062
	<hr/>	<hr/>
	116,108	112,526
	<hr/> <hr/>	<hr/> <hr/>

Six months ended	
30.9.2019	30.9.2018
HK\$'000	HK\$'000
(unaudited)	(unaudited)

Dividends declared in respect of the Period:

Interim dividend declared for the Period

– HK3 cents (2018: HK10 cents) per Share

28,988	<u>97,204</u>
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Subsequent to the end of the Period, the Board has resolved to declare an interim dividend of HK3 cents per Share for the Period, which will be payable in cash. The interim dividend has been calculated by reference to the 966,262,004 issued Shares outstanding as at the date of this announcement.

7. (LOSS) EARNINGS PER SHARE

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

Six months ended	
30.9.2019	30.9.2018
HK\$'000	HK\$'000
(unaudited)	(unaudited)

(Loss) earnings:

(Loss) profit for the period attributable to the owners of the Company
for the purpose of basic and diluted (loss) earnings per Share

(520,562)	<u>288,750</u>
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Number of Shares:

Weighted average number of Shares for the purpose of basic and
diluted (loss) earnings per Share

969,114,384	<u>940,338,674</u>
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The effect of the exercise of the Company's share options was not taken into consideration for computing the diluted (loss) earnings per Share for the six months ended 30 September 2019 and 2018 as the exercise price of those share options was higher than the average market price for Shares.

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 (31 March 2019: 60 days) to its trade customers. Included in debtors, deposits and prepayments are trade debtors of approximately HK\$3,964,000 (31 March 2019: HK\$3,100,000).

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

30.9.2019	31.3.2019
HK\$'000	HK\$'000
(unaudited)	(audited)

Trade debtors aged:

0 – 60 days

61 – 90 days

Over 90 days

3,855	2,956
3	77
106	67
3,964	<u>3,100</u>

9. CREDITORS, DEPOSITS AND ACCRUED CHARGES

Included in creditors, deposits and accrued charges are trade creditors of approximately HK\$2,848,000 (31 March 2019: HK\$1,905,000).

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

	30.9.2019 <i>HK\$'000</i> (unaudited)	31.3.2019 <i>HK\$'000</i> (audited)
Trade creditors aged:		
0 – 60 days	<u>2,848</u>	<u>1,905</u>

10. EVENTS AFTER THE REPORTING PERIOD

On 14 October 2019, the Group entered into a conditional sale and purchase agreement in relation to the acquisition of 20% equity interests in Uni-Dragon which indirectly holds THE 13 Hotel, a 22-storey luxury 5-star hotel located at Cotai Strip, Macau, at a cash consideration of HK\$300,000,000. The transaction has not yet been completed as at the date of this announcement. Details of the transaction were disclosed in the announcement of the Company dated 16 October 2019.

On 29 November 2019, the Group acquired 9.5% effective interests in SH Renaissance at a consideration of HK\$146,400,000. Pursuant to the relevant sale and purchase agreement, the Group has been granted an option under which the Group is entitled to acquire additional 6.5% effective interests in SH Renaissance at an aggregate consideration of HK\$100,000,000 within 18 months. SH Renaissance is located in Xuhui District, Shanghai, the PRC, with a total gross floor area of approximately 64,500 sq. m.. The MG Loan Notes in the principal amount of HK\$180,000,000, together with interest accrued thereon, were utilised as partial settlement of the consideration for the acquisition of SH Renaissance at an agreed value of HK\$96,400,000.

OTHER INFORMATION

Interim Dividend

The Board has declared the Interim Dividend of HK3 cents per Share for the Period 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 Tuesday, 17 December 2019. The Interim Dividend will be payable in cash to the Shareholders on or about Wednesday, 8 January 2020.

Closure of Register of Members

For the purpose of ascertaining Shareholders’ entitlement to the Interim Dividend, the Register of Members will be closed from Monday, 16 December 2019 to Tuesday, 17 December 2019, both days inclusive, during which period no transfer of Shares will be registered. The Shares will be traded ex-dividend as from Thursday, 12 December 2019. 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 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration by no later than 4:30 p.m. on Friday, 13 December 2019.

Number of Employees and Remuneration Policies

As at 30 September 2019, the total number of employees of the Group was 309 (31.3.2019: 318). 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 of Redemption of the Company’s Listed Securities

During the Period, the Company repurchased a total of 9,455,000 Shares at an aggregate consideration (excluding expenses) of HK\$16,985,520 on the Stock Exchange. All the repurchased Shares have been cancelled.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the Period.

Movement in Issued Shares

During the Period, the Company (i) issued a total of 430,061 new Shares pursuant to the scrip dividend scheme in relation to the second interim dividend for the year ended 31 March 2019 and (ii) cancelled a total of 9,455,000 Shares upon repurchase. As at 30 September 2019, there were 966,262,004 Shares in issue.

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 values and interests of the Shareholders as well as enhancing the transparency and accountability to the stakeholders.

Throughout the Period, 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 Period.

Review of Interim Results

The interims results for the Period 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 Hong Kong Institute of Certified Public Accountants. 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 Period.

Publication of Interim Results Announcement and Interim Report

This interim results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.itcproperties.com. The interim report of the Company for the Period 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.

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

Hong Kong, 29 November 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.