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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 31 MARCH 2020**

FINANCIAL HIGHLIGHTS

(All in Hong Kong dollar)

	Year ended 31 March	
	2020	2019
Revenue		
Per consolidated statement of profit or loss	\$175 million	\$262 million
Property income and hotel revenue		
– share of associates and joint ventures	\$332 million	\$1,570 million
– by way of disposal of interest in a joint venture	\$167 million	–
	<u>\$674 million</u>	<u>\$1,832 million</u>
Net (loss) profit	<u>\$(972) million</u>	<u>\$140 million</u>
Basic (loss) earnings per share	\$(1)	\$0.15
Dividends per share		
– first interim	3 cents	10 cents
– second interim	5 cents	12 cents
	<u>8 cents</u>	<u>22 cents</u>
Net assets value per share	\$4.2	\$5.5

* 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 31 March 2020 (the “**Year**”).

BUSINESS REVIEW

The borderless outspread of COVID-19 has ravaged the global economy and business activities. Together with the continuous civil unrest, the hospitality industry in Hong Kong has been double hit and far more challenging than any other time. For the Year, the Group’s revenue decreased by 33% to HK\$175.4 million and gross loss of HK\$17.4 million was recorded (2019: gross profit of HK\$33.6 million) due to the drastic deterioration in hotel performance. The outbreak of COVID-19 has also exerted adverse impacts on the fair value of office and hotel properties held by the Group and its joint ventures, which resulted in the recognition of a significant decrease in fair value of the Group’s investment properties of HK\$176.9 million (2019: an increase of HK\$1.5 million) and the share of significant net losses of the Group’s joint ventures of HK\$282.7 million (2019: HK\$51.9 million).

Furthermore, a significant loss allowance of HK\$291.8 million for expected credit loss (the “**ECL**”) was recognised on the loan receivables (together with the outstanding interest accrued thereon) held by the Group, including the unsecured loan notes (the “**MG Loan Notes**”) issued by Master Glory Group Limited (“**Master Glory**”), whose shares have been suspended from trading on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since 2 July 2019.

In addition, the presold units of a residential project in Macau developed by an associate of the Group, which are still under construction, have not yet been handed over to the end buyers during the Year. Accordingly, the share of profit of associates of the Group substantially decreased to HK\$23.5 million (2019: HK\$619.4 million). Though there were some cost saving measures, including reduction of bonus payment to executive Directors and staff such that administrative and other expenses decreased by HK\$45.7 million to HK\$226.2 million (2019: HK\$271.9 million), in response to the above adverse business impacts, the Group recorded a net loss attributable to owners of the Company of HK\$971.0 million for the Year (2019: a net profit of HK\$140.6 million).

The Board has declared a second interim dividend (the “**Second Interim Dividend**”) of HK5 cents per share of the Company (the “**Share**”) for the Year (2019: 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 Shares. Together with the first interim dividend of HK3 cents per Share, the total dividend for the Year is HK8 cents per Share (2019: HK22 cents per Share, comprising the first interim dividend of HK10 cents and the second interim dividend of HK12 cents).

Property

Segment loss for the Year amounting to HK\$203.9 million was recorded, as compared to segment profit of HK\$526.6 million for last financial year.

Macau

One Oasis, Sky Oasis and Grand Oasis in Cotai South is a luxury residential project developed by an associate of the Group. As mentioned earlier, the presold units, which are still under construction, have not yet been handed over to the end buyers during the Year and thus, the contribution from this project to the Group for the Year decreased to HK\$33.6 million (2019: HK\$634.7 million).

During the Year, presale of certain units in blocks 16 to 20 was well received. This project has so far secured over HK\$5.5 billion revenue to the associate. However, the border control measure implemented by Macau government, in response to the pandemic, restricted the workers entering from mainland China, which caused some delays in construction work. The associate is working hard to catch up the delays with a target to handing over the presold units to the end buyers early next year. Presale of the remaining units is expected to be launched at appropriate times in the coming year.

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. A significant decrease in fair value was recognised on this property for the Year. The renovation work on the property is expected to be completed in the third quarter of 2020.

The foundation works for the project at No. 23 Po Shan Road, Mid-levels were completed in May 2020 and the construction works for the superstructure of a deluxe residential mid-rise building are expected to commence soon after obtaining the relevant approval.

Hyde Park at No. 205 Hai Tan Street, Sham Shui Po is a project with the Urban Renewal Authority mainly consisting of 76 residential flats and a commercial podium. Sale is to be launched in the coming few months and the completion certificate is expected to be obtained by the fourth quarter of 2020.

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 the final stage and completion of the new composite building is expected by 2021. Presale of this project will be launched in due course.

The Group has applied to the Lands Tribunal for an order for compulsory sale of all the remaining undivided shares in Nos. 21, 23, 25, 27, 29 and 31 Sheung Heung Road, To Kwa Wan, in which the Group currently holds 80% of the undivided shares. The property is planned for residential redevelopment upon 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. Though its leasing rate was inauspiciously affected by the pandemic, the property still contributed 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. Presale is estimated to be launched in late 2020 and the demolition work is expected to commence in 2021.

London, United Kingdom

The planning of redevelopment into a six-storey office building, 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

To prevent the infection spread of COVID-19, governments implement various measures including border control and social distancing. As a result, the overall occupancy and average room rate of Le Petit Rosedale Hotel and Rosedale Hotel Kowloon plunged tremendously. Revenue from this segment decreased to HK\$94.9 million (2019: HK\$171.1 million). In addition to the operating losses, share of significant decreases in fair values of Rosedale Hotel Kowloon in Hong Kong and The Westin Bayshore in Vancouver held by joint ventures of the Group was recognised. Correspondingly, segment loss of HK\$336.3 million (2019: segment profit of HK\$18.6 million) was recorded.

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. In addition, the Group was granted an option to acquire additional 6.5% effective interests in SH Renaissance at a consideration of HK\$100.0 million within 18 months from the date of acquisition. 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.. The hotel consists of about 380 rooms and other facilities, such as restaurants, ballroom, retail shops and car parking spaces.

THE 13 Hotel

On 14 October 2019, the Group entered into a conditional sale and purchase agreement to acquire 20% interests in Uni-Dragon Limited, which indirectly holds THE 13 Hotel located at Cotai Strip in Macau and consisting of approximately 200 suites and other facilities such as restaurants, health club and banquet hall, at a consideration of HK\$300.0 million. The completion of the transaction is pending fulfilment of certain conditions.

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 ⁽¹⁾ (sq. ft.)
Macau			
One Oasis, Sky Oasis and Grand Oasis situated at Estrada de Seac Pai Van	Residential/ Commercial	35.5	615,764
Sub-total			615,764
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 ⁽²⁾	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 ⁽¹⁾ (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 ⁽³⁾	90.1	23,900
The Westin Bayshore situated at 1601 Bayshore Drive, Vancouver, British Columbia, Canada	Hotel/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			2,400,949

Notes:

- (1) The attributable gross floor area represents the area under the existing use.
- (2) The property is currently for industrial use and is planned to be redeveloped for residential use upon completion of the acquisition of the remaining units and compliance with town planning issues.
- (3) The property is currently for commercial use and is planned to be redeveloped for residential and commercial use.

Securities Investments

Segment loss from securities investments for the Year was HK\$24.3 million (2019: HK\$209.0 million), representing the unrealised loss arising from the drop in market price.

As at 31 March 2020, the Group had equity and fund investments in aggregate of HK\$288.7 million, 45% being unlisted securities denominated in Renminbi, 41% being unlisted securities and funds denominated in United States dollars, and the remaining 14% being listed securities denominated in Hong Kong dollars.

Finance

As at 31 March 2020, other loan receivables of the Group amounted to HK\$354.7 million.

For the Year, the Group had interest income of HK\$61.5 million (2019: HK\$76.8 million) and segment loss from finance of HK\$209.0 million (2019: segment profit of HK\$95.3 million). The segment loss was attributable to a significant loss allowance for ECL of HK\$291.8 million mainly on the MG Loan Notes, together with the outstanding interest accrued thereon, held by the Group (collectively, the “**MG Balance**”).

After utilising the MG Loan Notes in the principal amount of HK\$180.0 million and interest accrued thereon of HK\$12.8 million as the partial consideration for the acquisition of SH Renaissance during the Year (the “**Partial Settlement**”), the MG Balance as at 31 March 2020 amounted to HK\$342.7 million, comprising the principal amount of HK\$320.0 million and the outstanding interest of HK\$22.7 million (collectively, the “**Remaining MG Balance**”).

As disclosed in the interim report of the Company for the six months ended 30 September 2019 (the “**Interim Period**”), an ECL provision of HK\$219.5 million was provided on the MG Balance. Subsequent to the Interim Period, the Group continued to monitor the situation and considered the following incidents as disclosed by Master Glory during the Year:

- (a) the shares of Master Glory remain suspended from trading on the Stock Exchange;
- (b) Master Glory still failed to publish its annual results for the financial year ended 31 March 2019 and interim results for the six months ended 30 September 2019;
- (c) Master Glory received three winding up petitions as disclosed in its announcement dated 4 March 2020; and
- (d) the business operations of Master Glory have been unfavourably affected by the outbreak of COVID-19 as disclosed in its announcement dated 31 March 2020.

Taking into account the above incidents and the global economic condition in the second half of the Year, with respect to the MG Balance, the probability for the default by Master Glory has further increased and the recovery rate has further decreased subsequent to the Interim Period. Thus, in accordance with the accounting policies adopted by the Group, the loss rate assessed for the Year increased to 75% (the “**Internal Assessment**”), as compared to 60% as adopted for the Interim Period. To assess the reasonableness of the Internal Assessment, the Group engaged an independent professional valuer to perform an additional analysis to reassess the ECL provision as at 31 March 2020 on the Remaining

MG Balance in accordance with Hong Kong Financial Reporting Standard 9 (2014). The independent professional valuer adopted its independently selected parameters which contained credit rating profile similar to Master Glory (the “**External Assessment**”). The External Assessment indicated that the average loss rate was approximately 72%. Since the results of the Internal Assessment and the External Assessment are similar, the Group considered that it was fair and reasonable to adopt the Internal Assessment to provide the ECL provision on the Remaining MG Balance. In this respect, additional loss allowance for ECL of HK\$56.0 million was recorded in the second half of the Year on the Remaining MG Balance and loss allowances charged for the MG Balance in aggregate amounted to HK\$275.5 million for the Year. Taking into account the release of HK\$115.7 million of the ECL provision upon the Partial Settlement, the ECL provision against the Remaining MG Balance as at 31 March 2020 amounted to HK\$257.1 million.

Master Glory further announced earlier in June 2020 that it was ordered to be wound up by the Court of First Instance of the High Court and the joint and several liquidators were appointed. The Group continues to take necessary actions to recover the debt and will assess the ECL impact on the Remaining MG Balance in due course.

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 30 September 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 31 March 2020, the Group had total bank borrowings of HK\$1,738.2 million and loan notes of HK\$1,519.8 million. After netting off bank balances and cash of HK\$514.1 million and comparing with the Group’s shareholders’ funds of HK\$4,060.3 million, the Group’s net gearing ratio as at 31 March 2020 was 0.68 (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 31 March 2020, the Group had unused banking facilities of HK\$301.2 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\$606.2 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\$100.8 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\$1,637.4 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\$88.0 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 and Canadian 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.

The Group repurchased a total of 18,325,000 Shares and cancelled 15,062,000 Shares during the Year, and further cancelled the remaining 3,263,000 Shares in April 2020. The repurchase of Shares led to an enhancement in the net asset value per Share. In addition, during the Year, the Group repurchased an aggregate principal amount of US\$2.2 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 was considered to be US\$197.8 million as at 31 March 2020, regardless the repurchased notes being cancelled in August 2019 and April 2020. 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 31 March 2020, the Group's general credit facilities granted by the banks were secured by pledges of the Group's investment properties of HK\$751.4 million, stock of properties of HK\$875.4 million, property, plant and equipment of HK\$880.7 million and debt investments of HK\$80.1 million.

Contingent Liabilities

At 31 March 2020, the Group provided corporate guarantees on a several basis with maximum liabilities of (i) HK\$511.8 million (2019: HK\$365.4 million), HK\$58.0 million (2019: HK\$58.0 million), HK\$307.2 million (2019: HK\$320.0 million) and HK\$214.5 million (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\$492.4 million (2019: HK\$352.7 million), HK\$57.8 million (2019: HK\$57.8 million), HK\$307.2 million (2019: HK\$320.0 million) and HK\$131.6 million (2019: HK\$139.9 million); and (ii) HK\$565.7 million (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\$366.1 million (2019: HK\$354.8 million).

PROSPECTS

The global economy has been deteriorating due to the outbreak of COVID-19 and the China-US tensions, and recovery is difficult to predict. These also post unprecedented challenges to Hong Kong's economy, which has acutely been affected by the social unrest since 2019, in particular the local hospitality industry. Knowing that year 2020 and the foreseeable future will be full of challenges and uncertainties, the Group will vigilantly endeavour to sustain its businesses and carry out its mission. We will focus on the presale of the remaining blocks in Sky Oasis and Grand Oasis, the sale of units of Hyde Park and the other local redevelopment projects 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.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 MARCH 2020

	<i>Notes</i>	2020 HK\$'000	2019 <i>HK\$'000</i>
Revenue	3	<u>175,360</u>	<u>262,299</u>
Hotel operation income		94,923	171,140
Property income		<u>18,957</u>	<u>14,325</u>
		113,880	185,465
Direct cost for hotel operation income and property income		<u>(131,329)</u>	<u>(151,863)</u>
Gross (loss) profit for hotel operation income and property income		(17,449)	33,602
Interest revenue from loan financing		61,480	76,834
Net fair value loss on financial instruments	4	(40,009)	(207,908)
Other income, gains and losses		70,422	48,809
(Recognition) reversal of impairment losses under expected credit loss model, net		(291,795)	14,432
Gain on disposal of joint ventures		40,574	–
(Decrease) increase in fair value of investment properties		(176,908)	1,520
Administrative and other expenses		(226,236)	(271,941)
Finance costs	5	(132,862)	(121,772)
Share of results of associates		23,496	619,419
Share of results of joint ventures		<u>(282,746)</u>	<u>(51,940)</u>
(Loss) profit before taxation		(972,033)	141,055
Taxation	6	<u>29</u>	<u>(1,165)</u>
(Loss) profit for the year	7	<u>(972,004)</u>	<u>139,890</u>
(Loss) profit for the year attributable to:			
Owners of the Company		(971,000)	140,583
Non-controlling interests		<u>(1,004)</u>	<u>(693)</u>
		<u>(972,004)</u>	<u>139,890</u>
(Loss) earnings per share	9		
– Basic (HK dollar)		<u>(1.00)</u>	<u>0.15</u>
– Diluted (HK dollar)		<u>(1.00)</u>	<u>0.15</u>

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

FOR THE YEAR ENDED 31 MARCH 2020

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
(Loss) profit for the year	<u>(972,004)</u>	<u>139,890</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	(28,461)	(41,328)
<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	(88,022)	(69,706)
Share of translation reserve of associates and joint ventures	<u>(11,435)</u>	<u>17,627</u>
Other comprehensive expense for the year	<u>(128,627)</u>	<u>(93,407)</u>
Total comprehensive (expense) income for the year	<u><u>(1,100,631)</u></u>	<u><u>46,483</u></u>
Total comprehensive (expense) income for the year attributable to:		
Owners of the Company	(1,099,220)	47,748
Non-controlling interests	<u>(1,411)</u>	<u>(1,265)</u>
	<u><u>(1,100,631)</u></u>	<u><u>46,483</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 MARCH 2020

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		900,874	922,544
Investment properties		751,440	922,000
Equity and fund investments		174,346	70,093
Interests in joint ventures		622,431	1,179,333
Amounts due from joint ventures		500,779	558,067
Interests in associates		1,652,761	2,132,226
Amount due from an associate		32,686	16,686
Other loan receivables		67,728	168,630
Deposit paid for acquisition of an associate		159,000	159,000
Other non-current assets		153,551	173,252
		<u>5,015,596</u>	<u>6,301,831</u>
Current assets			
Inventories – food, beverages and general stores		815	744
Deposits paid for acquisition of leasehold land		336,348	354,997
Stock of properties		1,332,423	1,110,937
Other loan receivables		286,928	584,929
Debtors, deposits and prepayments	<i>10</i>	210,900	169,735
Equity and fund investments		114,356	121,816
Debt investments		80,145	–
Bank balances and cash		514,138	526,187
		<u>2,876,053</u>	<u>2,869,345</u>
Current liabilities			
Creditors, deposits and accrued charges	<i>11</i>	210,729	193,770
Amount due to a joint venture		11,635	–
Amount due to an associate		139,660	408,128
Tax payables		201,230	202,992
Lease liabilities		4,750	–
Obligations under finance leases		–	130
Bank borrowings		1,738,160	1,479,545
		<u>2,306,164</u>	<u>2,284,565</u>
Net current assets		<u>569,889</u>	<u>584,780</u>
Total assets less current liabilities		<u>5,585,485</u>	<u>6,886,611</u>

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Non-current liabilities		
Loan notes	1,519,836	1,547,059
Lease liabilities	3,785	–
Obligations under finance leases	–	438
	<u>1,523,621</u>	<u>1,547,497</u>
	<u>4,061,864</u>	<u>5,339,114</u>
Capital and reserves		
Share capital	9,607	9,753
Reserves	4,050,678	5,326,371
	<u>4,060,285</u>	<u>5,336,124</u>
Equity attributable to owners of the Company	4,060,285	5,336,124
Non-controlling interests	1,579	2,990
	<u>4,061,864</u>	<u>5,339,114</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 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

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 consolidated financial statements.

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

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

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) – Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 April 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application (i.e. 1 April 2019).

As at 1 April 2019, the Group recognised 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 by applying HKFRS 16.C8(b)(i) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- i. excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and
- ii. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of office premises in Hong Kong and the People's Republic of China (the "PRC") was determined on a portfolio basis.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average 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	<u>(3,003)</u>
	86,879
Less: Recognition exemption – short-term leases	<u>(671)</u>
Lease liabilities relating to operating leases recognised upon application of HKFRS 16	86,208
Add: Obligations under finance leases recognised at 31 March 2019	<u>568</u>
Lease liabilities as at 1 April 2019	<u><u>86,776</u></u>
Analysed as:	
Current	83,731
Non-current	<u>3,045</u>
	<u><u>86,776</u></u>

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

	Right-of-use assets <i>HK\$'000</i>
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	<u>553</u>
	<u><u>71,202</u></u>
By class:	
Leasehold land and buildings	70,649
Furniture, fixtures and equipment	<u>553</u>
	<u><u>71,202</u></u>

Upon application of HKFRS 16, depreciation charge on certain right-of-use assets in relation to hotel properties has been included in “direct cost for hotel operation income and property income”, and certain expenses, including operating lease expense amounting to HK\$72.0 million, incurred in relation to certain hotel properties in prior year have been represented to conform with the current year’s presentation.

The following adjustments were made to the amounts recognised in the 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 <i>HK\$’000</i>	Adjustments <i>HK\$’000</i>	Carrying amounts under HKFRS 16 at 1 April 2019 <i>HK\$’000</i>
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 is 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 31 March 2020

	Segment revenue <i>HK\$'000</i> <i>(note (a))</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> <i>(note (b))</i>
Property <i>(note (c))</i>	18,957	(218,192)	38,494	33,517	(21,526)	(36,222)	(203,929)
Hotel and leisure <i>(note (d))</i>	94,923	(90,140)	–	(10,021)	(224,412)	(11,736)	(336,309)
Securities investments	–	(21,942)	–	–	–	(2,318)	(24,260)
Finance	61,480	(208,968)	–	–	–	–	(208,968)
SEGMENT TOTAL	175,360	(539,242)	38,494	23,496	(245,938)	(50,276)	(773,466)
Unallocated	–	(81,253)	2,080	–	(36,808)	(82,586)	(198,567)
GROUP TOTAL	175,360	(620,495)	40,574	23,496	(282,746)	(132,862)	(972,033)

For the year ended 31 March 2019

	Segment revenue <i>HK\$'000</i> <i>(note (a))</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> <i>(note (b))</i>
Property <i>(note (c))</i>	14,325	(19,485)	628,951	(56,809)	(26,011)	526,646
Hotel and leisure <i>(note (d))</i>	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

notes:

- (a) Revenue as set out above comprised rental income, properties commission income, building management fee income, hotel operation income and loan financing income. All segment revenue is from external customers.
- (b) The aggregate of the segment results as set out above comprised the (loss) profit before taxation from each segment without allocation of certain other income, gains and losses, certain administrative and other expenses, share of results of certain joint ventures and certain finance costs.
- (c) During the Year, the segment result of property segment included decrease in fair value of investment properties of HK\$176,908,000 (2019: increase of HK\$1,520,000).
- (d) During the Year, the segment result of hotel and leisure segment included share of decrease in fair value/impairment loss of properties held by joint ventures amounting to HK\$216,464,000 (2019: share of increase in fair value of investment properties of HK\$52,000,000).

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. 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	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Property	4,871,928	5,416,194	1,702,554	1,727,578
Hotel and leisure	1,447,630	1,766,116	473,227	490,428
Securities investments	239,759	191,914	77,226	4,096
Finance	385,527	790,200	48	48
Segment total	6,944,844	8,164,424	2,253,055	2,222,150
Unallocated:				
Bank balances and cash	514,138	526,187	–	–
Loan notes	–	–	1,519,836	1,547,059
Accrued coupon interest on loan notes	–	–	33,861	34,595
Others	432,667	480,565	23,033	28,258
Total	7,891,649	9,171,176	3,829,785	3,832,062

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, interests in certain joint ventures, amounts due from certain 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, lease liabilities 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	
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Hong Kong	164,414	251,389	2,275,847	2,687,970
Macau	–	–	1,078,458	1,543,931
PRC	4,572	–	577,301	610,669
Canada	6,374	–	265,099	567,733
Others	–	10,910	41,507	41,613
	<u>175,360</u>	<u>262,299</u>	<u>4,238,212</u>	<u>5,451,916</u>

4. NET FAIR VALUE LOSS ON FINANCIAL INSTRUMENTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Decrease in fair values of financial assets at fair value through profit or loss		
– held at the end of the reporting period	39,975	188,766
– disposed of during the Year	<u>34</u>	<u>19,142</u>
	<u>40,009</u>	<u>207,908</u>

5. FINANCE COSTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Effective interest on loan notes	82,478	82,764
Interest on bank and other borrowings	59,363	45,527
Interest on lease liabilities	2,174	–
Interest on obligations under finance leases	–	37
	<u> </u>	<u> </u>
Total borrowing costs	144,015	128,328
Less: amounts capitalised in qualifying assets	(11,153)	(6,556)
	<u> </u>	<u> </u>
	<u>132,862</u>	<u>121,772</u>

6. TAXATION

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Hong Kong Profits Tax:		
Current tax	172	984
Overprovision in prior years	–	(27)
	<u> </u>	<u> </u>
	172	957
United Kingdom Corporation Tax:		
(Over)underprovision in prior years	(201)	208
	<u> </u>	<u> </u>
	<u>(29)</u>	<u>1,165</u>

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% (2019: 16.5%).

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

7. (LOSS) PROFIT FOR THE YEAR

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
(Loss) profit for the Year has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	103,991	34,570
Cost of inventories recognised as an expense	6,220	8,436
Loss on disposal/written-off of property, plant and equipment	7	91
Bank interest income	(7,240)	(3,297)
Interest income on amounts due from joint ventures	(22,722)	(29,196)
Other interest income	–	(4,123)
	<u>103,991</u>	<u>34,570</u>

8. DISTRIBUTION

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Dividends recognised as distributions during the Year:		
First interim dividend, paid for the Year – HK3 cents (first interim dividend, paid for the year ended 31 March 2019: HK10 cents) per Share	28,988	97,204
Second interim dividend, paid for the year ended 31 March 2019 – HK12 cents (second interim dividend, paid for the year ended 31 March 2018: HK12 cents) per Share	116,108	112,526
	<u>145,096</u>	<u>209,730</u>
Dividends in form of:		
– Cash	144,412	125,990
– Scrip Shares	684	83,740
	<u>145,096</u>	<u>209,730</u>
Dividends declared in respect of the Year:		
Second interim dividend declared for the Year – HK5 cents (second interim dividend for the year ended 31 March 2019: HK12 cents) per Share	47,870	116,108
	<u>47,870</u>	<u>116,108</u>

Subsequent to the end of the reporting period, the Board has resolved to declare a second interim dividend of HK5 cents per Share for the Year, which will be payable in cash, with an alternative to elect scrip Shares. The second interim dividend has been calculated by reference to the 957,392,004 issued Shares outstanding as at the date of this announcement.

9. (LOSS) EARNINGS PER SHARE

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
(Loss) earnings:		
(Loss) profit for the Year attributable to owners of the Company for the purpose of basic and diluted (loss) earnings per Share	<u>(971,000)</u>	<u>140,583</u>
Number of Shares:		
Weighted average number of Shares for the purpose of basic and diluted (loss) earnings per Share	<u>967,412,582</u>	<u>956,696,633</u>

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 years ended 31 March 2020 and 2019 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 (2019: 60 days) to its trade customers. Included in debtors, deposits and prepayments are trade debtors of approximately HK\$3,479,000 as at 31 March 2020 (2019: HK\$3,100,000).

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade debtors aged:		
0 – 60 days	3,474	2,956
61 – 90 days	–	77
Over 90 days	<u>5</u>	<u>67</u>
	<u>3,479</u>	<u>3,100</u>

11. CREDITORS, DEPOSITS AND ACCRUED CHARGES

Included in creditors, deposits and accrued charges are trade creditors of approximately HK\$1,287,000 (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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade creditors aged:		
0 – 60 days	<u>1,287</u>	<u>1,905</u>
	<u>1,287</u>	<u>1,905</u>

OTHER INFORMATION

Second Interim Dividend

The Board has declared the Second Interim Dividend of HK5 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 Tuesday, 21 July 2020. The Second Interim Dividend will be paid to the Shareholders on or about Friday, 28 August 2020.

The Board has also resolved that the Second Interim Dividend shall be satisfied in cash, with an alternative to elect scrip 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 Tuesday, 21 July 2020 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 annual report of the Company for the Year, 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, 11 September 2020. 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 Monday, 20 July 2020 to Tuesday, 21 July 2020, both days inclusive, during which period no transfer of Shares will be registered. The Shares will be traded ex-dividend as from Thursday, 16 July 2020. 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 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration by no later than 4:30 p.m. on Friday, 17 July 2020.

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, 8 September 2020 to Friday, 11 September 2020, 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, 7 September 2020.

Number of Employees and Remuneration Policies

As at 31 March 2020, the total number of employees of the Group was 266 (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 or Redemption of the Company's Listed Securities

During the Year, a total of 18,325,000 Shares were repurchased at an aggregate consideration (excluding expenses) of HK\$25,528,030 on the Stock Exchange. All the repurchased Shares have subsequently 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 Year.

Movement in Issued Shares

During the Year, the Company cancelled a total of 15,062,000 Shares upon repurchase. As at 31 March 2020, there were 960,655,004 Shares in issue.

Subsequent to the end of the Year, a total of 3,263,000 Shares were cancelled upon repurchase.

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 this 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 this 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 business partners for all their valuable assistance offered during the Year.

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

Hong Kong, 26 June 2020

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.