



德祥地產集團有限公司

ITC PROPERTIES GROUP LIMITED

(Incorporated in Bermuda with limited liability)
Stock Code:199

2019-2020

INTERIM REPORT

52,394.02	(+7.30)
1,002.66	(+28.93)
16,696.00	(+1.23)
11,700.00	(+1.23)

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BOARD OF DIRECTORS

Executive Directors



Mr. Cheung Hon Kit
(Chairman)

Independent Non-executive Directors



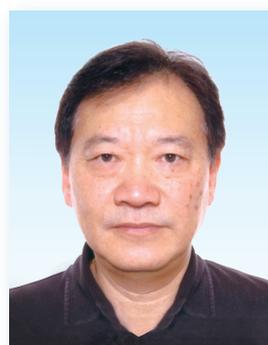
Hon. Shek Lai Him, Abraham, CBS, JP
(Vice Chairman)



Mr. Chan Fut Yan
(Managing Director)



Mr. Chan Yiu Lun, Alan



Mr. Kwok Ka Lap, Alva



Mr. Cheung Chi Kit
(Chief Financial Officer)



Mr. Wong Lai Shun, Benny



Mr. Chan Pak Cheong Afonso

BOARD COMMITTEES**Audit Committee**

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

Remuneration Committee

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

Nomination Committee

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

Corporate Governance Committee

Mr. Cheung Hon Kit (*Chairman*)
 Mr. Cheung Chi Kit
 Mr. Kwok Ka Lap, Alva

Investment Committee

Mr. Cheung Hon Kit
 Mr. Chan Fut Yan
 Mr. Cheung Chi Kit
 Mr. Chan Yiu Lun, Alan
 Mr. Wong Lai Shun, Benny

COMPANY SECRETARY

Ms. Wong Siu Mun

AUTHORISED REPRESENTATIVES

Mr. Cheung Hon Kit (*Alternate: Ms. Wong Siu Mun*)
 Mr. Cheung Chi Kit (*Alternate: Mr. Wong Kim Man*)

LEGAL ADVISORS

Conyers Dill & Pearman (*Bermuda*)
 lu, Lai & Li, Solicitors (*Hong Kong*)
 Vincent T. K. Cheung, Yap & Co. (*Hong Kong*)
 Leong Hon Man, Advogado (*Macau*)

AUDITOR

Deloitte Touche Tohmatsu

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
 The Bank of East Asia, Limited
 Hang Seng Bank Limited
 United Overseas Bank Limited
 Industrial and Commercial Bank of China (Asia) Limited
 Bank of China (Hong Kong) Limited

REGISTERED OFFICE

Clarendon House
 2 Church Street
 Hamilton HM 11
 Bermuda

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

30/F., Bank of America Tower
 12 Harcourt Road
 Central
 Hong Kong

**PRINCIPAL SHARE REGISTRAR AND
TRANSFER OFFICE**

Conyers Corporate Services (Bermuda) Limited
 Clarendon House
 2 Church Street
 Hamilton HM 11
 Bermuda

**BRANCH SHARE REGISTRAR AND
TRANSFER OFFICE IN HONG KONG**

Tricor Secretaries Limited
 Level 54, Hopewell Centre
 183 Queen's Road East
 Hong Kong

WEBSITE

www.itcproperties.com

STOCK CODE

Hong Kong Stock Exchange 199

INFORMATION FOR SHAREHOLDERS

FINANCIAL CALENDAR

Announcement of 2019–2020 Interim Results	29 November 2019
Ex-Dividend Date for Interim Dividend	12 December 2019
Book Closure Dates for Interim Dividend	16 to 17 December 2019
Record Date for Interim Dividend Entitlement	17 December 2019
Payment Date of Interim Dividend	on or about 8 January 2020
Announcement of 2019–2020 Annual Results	June 2020

MEANS OF RECEIPT AND LANGUAGE OF CORPORATE COMMUNICATIONS

This interim report, in both English and Chinese versions, is now available in printed form, and in accessible format on the website of the Company.

For Shareholders and non-registered shareholders of the Company who:

- (i) have elected to receive or are deemed to have consented to receive this interim report by electronic means on the Company's website; or
- (ii) have difficulty in receiving or gaining access to this interim report on the Company's website,

they may obtain printed copies free of charge by sending a written request to the Company or the branch share registrar of the Company in Hong Kong (the "Branch Share Registrar"), Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

If Shareholders and non-registered shareholders of the Company wish to change their elected means of receipt or language of all future corporate communications of the Company, they may at any time notify the Company by prior notice of at least seven days in writing to the Branch Share Registrar at the address stated above or by e-mail to itcproperties-ecom@hk.tricorglobal.com or by completing and returning the accompanying Change Request Form.

SHAREHOLDER ENQUIRIES

E-mail : info@itcproperties.com

Telephone : (852) 2831 8138

Fax : (852) 2858 2697

Six months ended 30 September
2019 2018

HK\$'million

Revenue

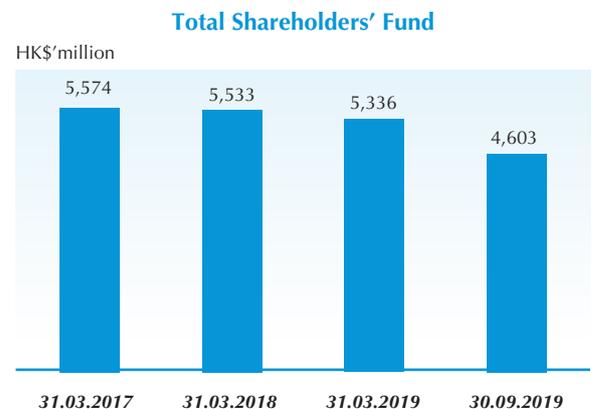
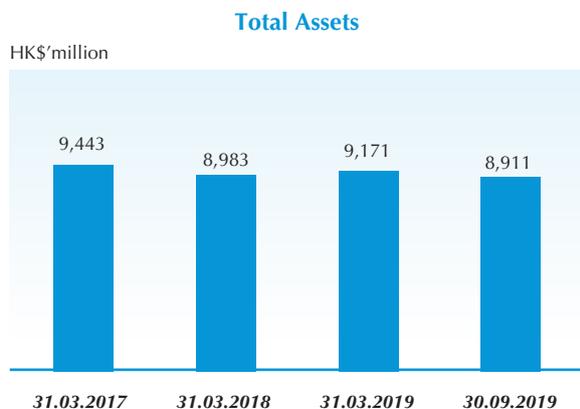
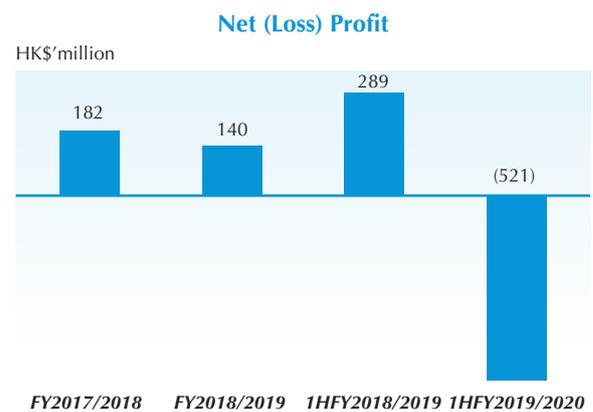
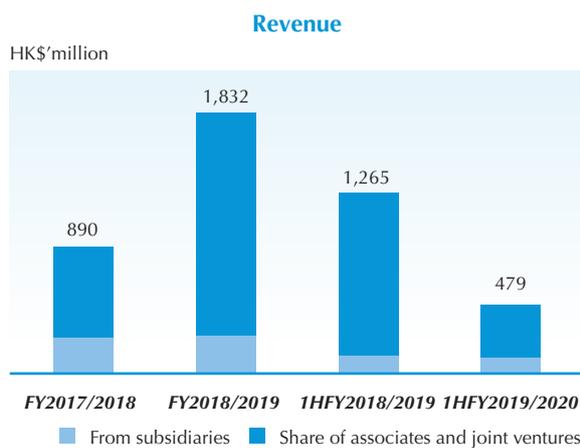
Per condensed consolidated statement of profit or loss	111	124
Property income and hotel revenue		
– share of associates and joint ventures	201	1,141
– by way of disposal of interest in a joint venture	167	–
	<u>479</u>	<u>1,265</u>
Net (loss) profit	<u>(521)</u>	<u>289</u>

HK cents

Basic (loss) earnings per share

Interim dividend per share

	(54)	31
	<u>3</u>	<u>10</u>



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 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 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 report:

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

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 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.

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.

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.

MG LOAN NOTES

In November 2016, the Group subscribed for the MG Loan Notes issued by Master Glory in the principal amount of HK\$500 million bearing interest at 9.5% per annum, payable in arrears every three months from 28 November 2016. The MG Loan Notes matured on 27 November 2019 (the “Maturity Date”).

Since February 2018, Master Glory failed to pay interest due on the scheduled payment dates on time. In addition, Master Glory recorded losses of HK\$140.2 million and HK\$497.8 million for the six months ended 30 September 2017 and the financial year ended 31 March 2018 respectively, as compared with a profit of HK\$1,222.2 million for the financial year ended 31 March 2017. The continuous late payment of interest on the MG Loan Notes by Master Glory and the deterioration in the financial performance of Master Glory resulted in the first material adverse change in the credit risk of the MG Loan Notes to the Group. Accordingly, an ECL impairment provision (the “ECL Provision”) of HK\$97.3 million on the MG Loan Notes and the related accrued interest (together the “MG Balances”) was recognised as at 1 April 2018. Also, in accordance with the Group’s internal credit risk grading assessment conducted in accordance with Hong Kong Financial Reporting Standard (“HKFRS”) 9 (2014) (the “Credit Risk Assessment”), as at 1 April 2018, the MG Balances fell under “Doubtful” and “Lifetime ECL – not credit-impaired” applied and accordingly, a loss rate of approximately 19% was resulted.

During the year ended 31 March 2019, Master Glory kept paying all interest accrued on the MG Loan Notes though later than the scheduled payment dates. In this respect, the credit risk of the MG Loan Notes to the Group as of 31 March 2019 was assessed as similar to that as of 31 March 2018, and no further ECL Provision was made for the year ended 31 March 2019. In accordance with the Credit Risk Assessment, as at 31 March 2019, the MG Balances remained under “Doubtful” and “Lifetime ECL – not credit-impaired”, and the loss rate of approximately 19% therefore continued to apply.

Since 1 April 2019 and up to the date of this interim report, the following additional unexpected incidents relating to Master Glory occurred and adversely affected the interim results of the Group for the Period:

- (i) Master Glory failed to settle (a) the interest on the MG Loan Notes due on 27 May 2019, 27 August 2019 and the Maturity Date; and (b) the principal of the MG Loan Notes on the Maturity Date;
- (ii) Master Glory failed to publish its annual results for the financial year ended 31 March 2019;
- (iii) the trading of the shares of Master Glory on the Stock Exchange has been suspended since 2 July 2019; and
- (iv) Master Glory received winding-up petitions from its creditors (the “MG Petitions”) as disclosed in its announcement dated 27 November 2019.

Accordingly, in accordance with the Group’s accounting policies, an additional ECL Provision of HK\$219.5 million had been made on the MG Balances during the Period since the above incidents indicated that the MG Balances were “credit-impaired” as of 30 September 2019, as compared to “not credit-impaired” as of 1 April 2018 and 31 March 2019. After conducting the Credit Risk Assessment as at 30 September 2019, it was concluded that the probability for the default by Master Glory increased considerably and the MG Balances were further lowered down to the category of “Loss” and “Lifetime ECL – credit-impaired”. In this respect, coupled with the relevant recovery rate, a loss rate of approximately 60% was resulted (the “Internal Assessment”), as compared with that of approximately 19% as at 31 March 2019.

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 on the MG Loan Notes in accordance with HKFRS 9 (2014) by adopting its independently selected parameters which contain credit rating profile similar to Master Glory (the “External Assessment”). The External Assessment indicated that the average loss rate was approximately 50%. Since the difference of the ECL Provision between the Internal Assessment and the External Assessment is immaterial, the Company considered that it was fair and reasonable to adopt the Internal Assessment to provide the ECL Provision in view of the uncertainties of the local economy affected by US-China trade war, Brexit and the civil unrest in Hong Kong.

None of the above incidents could be anticipated at the time of the Group’s subscription for the MG Loan Notes.

In view of the pending MG Petitions, the Company considers that further enforcement action against Master Glory may not be cost-effective. The Company is seeking legal advice on (i) whether to take any follow-up actions, including but not limited to filing another winding-up petition against Master Glory or participating in the MG Petitions against Master Glory, and (ii) whether such actions would be fruitful. The Company will make necessary announcement as and when appropriate pursuant to the requirements under the Listing Rules.

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.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2019, the interests and short positions of the Directors and chief executive of the Company and/or their respective close associates in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

(I) The Company

Name of Director	Number of Shares held	Number of underlying Shares held (Note 2)	Total	Percentage (Note 3)
Mr. Cheung Hon Kit ("Mr. HK Cheung")	48,800,000	7,000,000	55,800,000	5.77%
Mr. Chan Fut Yan ("Mr. FY Chan")	3,390,594	3,500,000	6,890,594	0.71%
Mr. Cheung Chi Kit ("Mr. CK Cheung")	2,850,000	2,000,000	4,850,000	0.50%
Mr. Chan Yiu Lun, Alan ("Mr. Alan Chan")	3,959,582	1,500,000	5,459,582	0.56%
Mr. Wong Lai Shun, Benny ("Mr. Benny Wong")	230,000	1,500,000	1,730,000	0.17%
Hon. Shek Lai Him, Abraham, <i>CBS, JP</i> ("Mr. Abraham Shek")	304,477	500,000	804,477	0.08%
Mr. Kwok Ka Lap, Alva ("Mr. Alva Kwok")	623,453	300,000	923,453	0.09%
Mr. Chan Pak Cheong Afonso ("Mr. Afonso Chan")	–	300,000	300,000	0.03%

(II) Associated Corporation of the Company

Mr. HK Cheung had personal interests in the principal amount of US\$2.3 million under the 4.75% guaranteed notes due 2021 in the aggregate principal amount of US\$198.2 million issued by Treasure Generator Limited, a wholly-owned subsidiary of the Company, and guaranteed by the Company.

Notes:

1. The Directors were the beneficial owners having personal interests in the Shares, underlying Shares and/or debenture as disclosed above and all such interests were long positions.
2. These represented the share options granted by the Company (being regarded as unlisted physically settled equity derivatives) on 4 April 2018. Details of the share options are disclosed in the section headed "Share Option Scheme" below.
3. This represented the approximate percentage of the total number of issued Shares as at 30 September 2019.

Save as disclosed above, as at 30 September 2019, none of the Directors or chief executive of the Company and/or their respective close associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

The Share Option Scheme was approved and adopted by the Shareholders pursuant to an ordinary resolution passed on 17 August 2012. The primary purpose of the Share Option Scheme is to retain, reward, motivate and give incentives to eligible persons. The Share Option Scheme shall be valid and effective for a period of 10 years commencing from 17 August 2012 to 16 August 2022.

On 17 October 2013, the Company granted the first lot of a total of 20,800,000 share options under the Share Option Scheme with the exercise period from 17 October 2014 to 16 October 2017. All the outstanding share options lapsed on 17 October 2017.

OTHER INFORMATION

On 4 April 2018, the Company granted the second lot of a total of 27,020,000 share options with an exercise price of HK\$2.57 per share option. The period during which these share options can be exercised is from 4 April 2019 to 3 April 2022, provided that up to a maximum of 50% of the share options shall be exercisable during the second-year period commencing from 4 April 2019 to 3 April 2020 (both days inclusive) and the balance of the share options not yet exercised shall be exercisable during the period commencing from 4 April 2020 to 3 April 2022 (both days inclusive) pursuant to the Share Option Scheme. Movements of the aforesaid share options during the Period were as follows:

Category and name of participant	Number of share options				
	Outstanding as at 1 April 2019	Granted during the Period	Exercised during the Period	Cancelled/lapsed during the Period	Outstanding as at 30 September 2019
Directors					
Mr. HK Cheung	7,000,000	–	–	–	7,000,000
Mr. FY Chan	3,500,000	–	–	–	3,500,000
Mr. CK Cheung	2,000,000	–	–	–	2,000,000
Mr. Alan Chan (Note)	1,500,000	–	–	–	1,500,000
Mr. Benny Wong	1,500,000	–	–	–	1,500,000
Mr. Abraham Shek	500,000	–	–	–	500,000
Mr. Alva Kwok	300,000	–	–	–	300,000
Mr. Afonso Chan	300,000	–	–	–	300,000
Sub-total	16,600,000	–	–	–	16,600,000
Employees	6,880,000	–	–	(120,000)	6,760,000
Other participants	3,300,000	–	–	–	3,300,000
Total	26,780,000	–	–	(120,000)	26,660,000

Note: Mr. Alan Chan is also an associate (as defined in the Listing Rules) of the substantial Shareholders.

Save as disclosed above, there were no share options granted, exercised, cancelled or lapsed under the Share Option Scheme during the Period.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

As at 30 September 2019, so far as being known to the Directors or chief executive of the Company, the interests and short positions of the substantial Shareholders or other persons (other than the Directors or chief executive of the Company) in the Shares and underlying Shares which have been disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO and have been recorded in the register required to be kept by the Company pursuant to section 336 of the SFO were as follows:

Name	Nature of interests	Capacity	Number of Shares held	Percentage (Note 2)
(I) Substantial Shareholders				
Dr. Chan Kwok Keung, Charles ("Dr. Charles Chan")	Personal interests	Beneficial owner	191,588,814	19.83%
	Corporate interests	Interest of controlled corporation	76,186,279	7.88%
	Family interests	Interest of spouse	<u>248,031,919</u>	<u>25.67%</u>
			515,807,012 (Note 3)	53.38%
Ms. Ng Yuen Lan, Macy ("Ms. Macy Ng")	Corporate interests	Interest of controlled corporation	248,031,919	25.67%
	Family interests	Interest of spouse	<u>267,775,093</u>	<u>27.71%</u>
			515,807,012 (Note 4)	53.38%
Record High Enterprises Limited ("Record High")	Corporate interests	Interest of controlled corporation	248,031,919 (Note 4)	25.67%
Fortune Crystal Holdings Limited ("Fortune Crystal")	Personal interests	Beneficial owner	248,031,919 (Note 4)	25.67%
(II) Other persons				
ITC Holdings Limited ("ITC Holdings")	Corporate interests	Interest of controlled corporation	76,186,279 (Note 3)	7.88%
Galaxyway Investments Limited ("Galaxyway")	Personal interests	Beneficial owner	76,186,279 (Note 3)	7.88%

OTHER INFORMATION

Notes:

1. All the interests in the Shares as disclosed above were long positions. Also, no underlying Shares were held by the substantial Shareholders and other persons stated above.
2. This represented the approximate percentage of the total number of issued Shares as at 30 September 2019.
3. Galaxyway owned 76,186,279 Shares and was a wholly-owned subsidiary of ITC Holdings which in turn was wholly owned by Dr. Charles Chan. As such, ITC Holdings and Dr. Charles Chan were deemed to be interested in the 76,186,279 Shares held by Galaxyway by virtue of Part XV of the SFO.

In addition, Dr. Charles Chan was deemed to be interested in the 248,031,919 Shares held by Fortune Crystal set out in Note 4 below by virtue of his being the spouse of Ms. Macy Ng for the purpose of Part XV of the SFO. Also, Dr. Charles Chan was the beneficial owner of 191,588,814 Shares.

Accordingly, Dr. Charles Chan was interested in and deemed to be interested in a total of 515,807,012 Shares by virtue of Part XV of the SFO.

4. Fortune Crystal owned 248,031,919 Shares and was a wholly-owned subsidiary of Record High which in turn was wholly owned by Ms. Macy Ng. As such, Record High and Ms. Macy Ng were deemed to be interested in the 248,031,919 Shares held by Fortune Crystal by virtue of Part XV of the SFO.

In addition, Ms. Macy Ng was deemed to be interested in the 76,186,279 Shares held by Galaxyway and the 191,588,814 Shares beneficially owned by Dr. Charles Chan by virtue of her being the spouse of Dr. Charles Chan for the purpose of Part XV of the SFO.

Accordingly, Ms. Macy Ng was deemed to be interested in a total of 515,807,012 Shares by virtue of Part XV of the SFO.

Save as disclosed above, as at 30 September 2019, the Company had not been notified of any other interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

PURCHASE, SALE OR 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.

REVIEW OF INTERIM RESULTS

The interim 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.

COMPLIANCE WITH CG CODE

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 CG Code and applied the principles contained therein.

COMPLIANCE WITH MODEL CODE

The Company has adopted the Model Code 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.

CHANGES IN INFORMATION ON DIRECTORS

Since the last published 2018–2019 annual report of the Company and up to the date of this report, there were changes to the directorships of each of Mr. HK Cheung, Mr. FY Chan, Mr. CK Cheung and Mr. Benny Wong in certain members of the Group.

Save as disclosed above, there are no other changes in information on the Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

On behalf of the Board

Cheung Hon Kit

Chairman

Hong Kong, 29 November 2019

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte.

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TO THE BOARD OF DIRECTORS OF ITC PROPERTIES GROUP LIMITED

德祥地產集團有限公司

(Incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of ITC Properties Group Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 21 to 59, which comprise the condensed consolidated statement of financial position as of 30 September 2019 and the related condensed consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

29 November 2019

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30 September 2019

	NOTES	Six months ended 30 September	
		2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Revenue	3	110,809	123,544
Hotel operation income		63,636	76,727
Property income		10,264	8,265
		73,900	84,992
Direct cost for hotel operation income and property income		(35,356)	(32,625)
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	(4,466)	(94,480)
Other income, gains and losses		33,774	34,219
(Provision for) reversal of impairment losses, net	23	(232,817)	10,599
Gain on disposal of joint ventures	12	40,574	–
(Decrease) increase in fair value of investment properties	10	(107,063)	4,991
Administrative and other expenses		(156,966)	(155,156)
Finance costs	5	(66,984)	(60,964)
Share of results of associates		23,236	509,643
Share of results of joint ventures		(125,585)	(50,267)
(Loss) profit before taxation		(520,844)	289,504
Taxation	6	–	(897)
(Loss) profit for the period	7	(520,844)	288,607
(Loss) profit for the period attributable to:			
Owners of the Company		(520,562)	288,750
Non-controlling interests		(282)	(143)
		(520,844)	288,607
(Loss) earnings per share	9		
– Basic (HK dollar)		(0.54)	0.31
– Diluted (HK dollar)		(0.54)	0.31

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 September 2019

	Six months ended 30 September	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
(Loss) profit for the period	(520,844)	288,607
Other comprehensive (expense) income		
Item that will not be reclassified to profit or loss:		
Loss on fair value changes of financial assets designated as at fair value through other comprehensive income ("FVTOCI")	(25,324)	(8,609)
Items that may be subsequently reclassified to profit or loss:		
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	(18,325)	2,845
Other comprehensive expense for the period	(73,789)	(54,524)
Total comprehensive (expense) income for the period	(594,633)	234,083
Total comprehensive (expense) income for the period attributable to:		
Owners of the Company	(593,952)	234,816
Non-controlling interests	(681)	(733)
	(594,633)	234,083

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 September 2019

	NOTES	30.9.2019 HK\$'000 (unaudited)	31.3.2019 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment		942,310	922,544
Investment properties	10	818,000	922,000
Equity and fund investments	11	44,760	70,093
Interests in joint ventures	12	785,182	1,179,333
Amounts due from joint ventures	12	484,871	558,067
Interests in associates	13	2,152,673	2,132,226
Amount due from an associate	13	24,686	16,686
Other loan receivables	14	73,321	168,630
Deposit paid for acquisition of an associate	13	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	15	1,246,346	1,110,937
Other loan receivables	14	380,356	584,929
Debtors, deposits and prepayments	16	213,389	169,735
Equity and fund investments	11	127,051	121,816
Debt investments	17	90,303	–
Bank balances and cash		848,618	526,187
		3,244,332	2,869,345
Current liabilities			
Creditors, deposits and accrued charges	18	205,074	193,770
Amount due to an associate	13	586,405	408,128
Tax payable		201,424	202,992
Lease liabilities		43,445	–
Obligations under finance leases		–	130
Bank borrowings	19	1,733,249	1,479,545
		2,769,597	2,284,565
Net current assets		474,735	584,780
Total assets less current liabilities		6,141,790	6,886,611

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 September 2019

	NOTES	30.9.2019 HK\$'000 (unaudited)	31.3.2019 HK\$'000 (audited)
Non-current liabilities			
Loan notes	20	1,535,586	1,547,059
Lease liabilities		1,242	–
Obligations under finance leases		–	438
		1,536,828	1,547,497
		4,604,962	5,339,114
Capital and reserves			
Share capital	21	9,663	9,753
Reserves		4,592,990	5,326,371
Equity attributable to owners of the Company		4,602,653	5,336,124
Non-controlling interests		2,309	2,990
		4,604,962	5,339,114

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 September 2019

	Attributable to owners of the Company										Non-controlling interests	Total
	Share capital	Share premium	Contributed surplus	Capital redemption reserve	Share-based payment reserve	Investment revaluation reserve	Special reserve	Translation reserve	Retained profits	Sub-total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1 April 2018 (audited)	9,377	3,313,021	113,020	9,185	-	(219,664)	(8,908)	18,630	2,176,521	5,411,182	4,253	5,415,435
Profit for the period	-	-	-	-	-	-	-	-	288,750	288,750	(143)	288,607
Loss on fair value changes of financial assets designated as at FVTOCI	-	-	-	-	-	(8,609)	-	-	-	(8,609)	-	(8,609)
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	-	(48,170)	-	(48,170)	(590)	(48,760)
Share of translation reserve of associates and joint ventures	-	-	-	-	-	-	-	2,845	-	2,845	-	2,845
Total comprehensive (expense) income for the period	-	-	-	-	-	(8,609)	-	(45,325)	288,750	234,816	(733)	234,083
Recognition of equity-settled share-based payments (Note 22)	-	-	-	-	1,598	-	-	-	-	1,598	-	1,598
Capital injection from non-controlling interests	-	-	-	-	-	-	-	-	-	-	22,036	22,036
Issue of shares pursuant to scrip dividend scheme for 2018 second interim dividend	343	76,719	-	-	-	-	-	-	-	77,062	-	77,062
Dividends recognised as distribution (Note 8)	-	-	-	-	-	-	-	-	(112,526)	(112,526)	-	(112,526)
As at 30 September 2018 (unaudited)	9,720	3,389,740	113,020	9,185	1,598	(228,273)	(8,908)	(26,695)	2,352,745	5,612,132	25,556	5,637,688

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 September 2019

	Attributable to owners of the Company										Non-controlling interests	Total
	Share capital	Share premium	Contributed surplus	Capital redemption reserve	Share-based payment reserve	Investment revaluation reserve	Special reserve	Translation reserve	Retained profits	Sub-total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 31 March 2019 (audited)	9,753	3,396,385	113,020	9,185	3,184	(260,992)	(8,908)	(32,877)	2,107,374	5,336,124	2,990	5,339,114
Adjustment (Note 2)	-	-	-	-	-	-	-	-	(7,559)	(7,559)	-	(7,559)
As at 1 April 2019 (restated)	9,753	3,396,385	113,020	9,185	3,184	(260,992)	(8,908)	(32,877)	2,099,815	5,328,565	2,990	5,331,555
Loss for the period	-	-	-	-	-	-	-	-	(520,562)	(520,562)	(282)	(520,844)
Loss on fair value changes of financial assets designated as at FVTOCI	-	-	-	-	-	(25,324)	-	-	-	(25,324)	-	(25,324)
Reclassification adjustment of translation reserve to profit or loss upon disposal of joint ventures	-	-	-	-	-	-	-	(709)	-	(709)	-	(709)
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	-	(29,032)	-	(29,032)	(399)	(29,431)
Share of translation reserve of associates and joint ventures	-	-	-	-	-	-	-	(18,325)	-	(18,325)	-	(18,325)
Total comprehensive expense for the period	-	-	-	-	-	(25,324)	-	(48,066)	(520,562)	(593,952)	(681)	(594,633)
Recognition of equity-settled share-based payments (Note 22)	-	-	-	-	494	-	-	-	-	494	-	494
Repurchase of share capital	(95)	(16,935)	-	95	-	-	-	-	(95)	(17,030)	-	(17,030)
Issue of shares pursuant to scrip dividend scheme for 2019 second interim dividend	5	679	-	-	-	-	-	-	-	684	-	684
Dividends recognised as distribution (Note 8)	-	-	-	-	-	-	-	-	(116,108)	(116,108)	-	(116,108)
As at 30 September 2019 (unaudited)	9,663	3,380,129	113,020	9,280	3,678	(286,316)	(8,908)	(80,943)	1,463,050	4,602,653	2,309	4,604,962

note: Special reserve of the Group represents the difference between the nominal value of the share capital of the subsidiaries acquired and the nominal amount of the share capital of the Company issued as consideration under the group reorganisation in 1994.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 30 September 2019

	NOTES	Six months ended 30 September	
		2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Net cash used in operating activities		(260,403)	(217,317)
Net cash generated from investing activities			
Proceeds from disposal of joint ventures	12	215,414	–
Capital repatriation from a joint venture	12	176,340	–
Interest received		3,512	13,968
Advances to joint ventures		(31,636)	(188,234)
Deposit/earnest money paid		(25,000)	(35,000)
Advances to associates		(8,000)	(9,107)
Additions to investment properties		(3,063)	(16,288)
Purchase of property, plant and equipment		(1,315)	(10,957)
Investments in joint ventures		(977)	(2,310)
Acquisition of a subsidiary		(66)	–
Repayment from joint ventures		–	275,355
Dividends received from joint ventures		–	48,800
Purchase of other non-current assets		–	(461)
		325,209	75,766
Net cash generated from financing activities			
New bank borrowings raised		570,546	653,016
Advance from an associate		178,277	532,052
Advance from non-controlling interests		26,651	–
Repayment of bank and other borrowings		(310,659)	(685,107)
Dividends paid		(115,424)	(35,464)
Repayment of lease liabilities		(43,216)	–
Repurchase of shares		(17,030)	–
Repurchase of loan notes	20	(12,488)	–
Capital injection from non-controlling interests		–	22,036
Other financing cash flows		–	(67)
		276,657	486,466
Net increase in cash and cash equivalents		341,463	344,915
Cash and cash equivalents at the beginning of the period		526,187	608,334
Effect of foreign exchange rate changes		(19,032)	(18,441)
Cash and cash equivalents at the end of the period, represented by bank balances and cash		848,618	934,808

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 on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”).

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.

Other than changes in accounting policies resulting from the application of new and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in these condensed consolidated financial statements for the six months ended 30 September 2019 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2019.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatorily effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group’s condensed consolidated financial statements:

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 as described below, the application of the new and amendments to HKFRSs in the current period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

2.1 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.

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 September 2019

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (Cont'd)

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (Cont'd)

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.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

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”.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 September 2019

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (Cont'd)

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (Cont'd)

As a lessee (Cont'd)

Leasehold land and building

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements, except for those that are classified and accounted for as investment properties.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 *Financial Instruments* ("HKFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

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.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option which is reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 September 2019

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (Cont'd)

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (Cont'd)

As a lessee (Cont'd)

Lease modifications

The Group accounts for a lease modification as a separate lease if the modification increases the scope of the lease by adding the right to use one or more underlying assets.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 *Income Taxes* requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

As a lessor

Allocation of consideration to components of a contract

Effective on 1 April 2019, the Group applies HKFRS 15 *Revenue from Contracts with Customers* to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 September 2019

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (Cont'd)

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

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 have 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, 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.

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.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

As at 1 April 2019, the Group recognised lease liabilities of HK\$86,776,000 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.

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 September 2019

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (Cont'd)

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (Cont'd)

As a lessee (Cont'd)

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

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

	note	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	(a)	553
		71,202
By class:		
Leasehold land and buildings		70,649
Furniture, fixtures and equipment		553
		71,202

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 September 2019

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (Cont'd)

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (Cont'd)

As a lessee (Cont'd)

notes:

- (a) In relation to assets previously under finance leases, the Group recategorised the carrying amounts of the relevant assets which were still under leases as at 1 April 2019 amounting to HK\$553,000 as right-of-use assets included under "property, plant and equipment". In addition, the Group reclassified the obligations under finance leases of HK\$130,000 and HK\$438,000 to lease liabilities under current and non-current liabilities, respectively at 1 April 2019.
- (b) Before the application of HKFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use of the underlying assets and should be adjusted to reflect the discounting effect at transition. However, no adjustment was made on refundable rental deposits paid and right-of-use assets as the management considers the discounting effect would be insignificant to be recognised at the date of initial application, 1 April 2019.

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

- (a) Upon application of HKFRS 16, new lease contracts entered into but commence after the date of initial application relating to the same underlying assets under existing lease contracts are accounted as if the existing leases are modified as at 1 April 2019. The application has had no impact on the Group's condensed consolidated statement of financial position as at 1 April 2019. However, effective on 1 April 2019, lease payments relating to the revised lease term after modification are recognised as income on straight-line basis over the extended lease term.
- (b) Before application of HKFRS 16, refundable rental deposits received were considered as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right-of-use assets and should be adjusted to reflect the discounting effect at transition. However, no adjustment was made on refundable rental deposits received and advance lease payments as the management considers the discounting effect would be insignificant to be recognised at the date of initial application, 1 April 2019.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 September 2019

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (Cont'd)

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (Cont'd)

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

	Carrying amounts previously reported as at 31 March 2019 HK\$'000	Adjustments HK\$'000	Carrying amounts under HKFRS 16 as 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 (note (ii))	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 (notes (ii) & (iii))	2,107,374	(7,559)	2,099,815

notes:

- (i) For the purpose of reporting cash flows from operating activities under indirect method for the six months ended 30 September 2019, movements in working capital have been computed based on opening statement of financial position as at 1 April 2019 as disclosed above.
- (ii) The effective rental payable under HKAS 17 as at 31 March 2019 was adjusted to retained profits upon the initial application of HKFRS 16.
- (iii) The difference between right-of-use assets and lease liabilities recognised as at initial application of HKFRS 16 has been adjusted to retained profits.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 September 2019

3. SEGMENT INFORMATION

Disaggregation of revenue

	Six months ended 30 September	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Revenue from contracts with customers:		
<i>Property</i>		
Revenue from building management fee income – recognised over time	453	433
Revenue from properties commission income – recognised at a point of time	3,731	1,128
<i>Hotel and leisure</i>		
Revenue from hotel accommodation – recognised over time	52,487	64,139
Revenue from food catering operation – recognised at a point of time	11,149	12,588
	67,820	78,288
Revenue from other sources:		
<i>Property</i>		
Rental income	6,080	6,704
<i>Finance</i>		
Interest revenue from loan financing	36,909	38,552
	42,989	45,256
Total	110,809	123,544

The segment information reported externally was analysed on the basis of the goods and services delivered or provided by the Group's operating divisions which is consistent with the 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. This is also the basis of organisation in the Group, whereby the management has chosen to organise the Group around differences in products and services.

The Group's reportable and operating segments 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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 September 2019

3. SEGMENT INFORMATION (Cont'd)

Information regarding these segments is reported below:

For the six months ended 30 September 2019 (unaudited)

	Segment revenue HK\$'000 (note (a))	Operating loss HK\$'000	Gain on disposal of joint ventures HK\$'000	Share of results of associates HK\$'000	Share of results of joint ventures HK\$'000	Finance costs HK\$'000	Segment results: loss before taxation HK\$'000 (note (b))
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 HK\$'000 (note (a))	Operating (loss) profit HK\$'000	Share of results of associates HK\$'000	Share of results of joint ventures HK\$'000	Finance costs HK\$'000	Segment results: profit (loss) before taxation HK\$'000 (note (b))
Property	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

notes:

- Revenue set out above comprises rental income, properties commission income, building management fee income, hotel operation income and loan financing income. All segment revenue is from external customers mainly located in Hong Kong.
- The aggregate of the segment results set out above comprises the (loss) profit before taxation from each segment without allocation of certain other income, gains and losses, certain administrative and other expenses, certain gain on disposal of joint ventures, certain share of results of joint ventures and certain finance costs.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 September 2019

3. SEGMENT INFORMATION (Cont'd)

The CODM assesses the performance of the operating segments based on (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.

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	
	30.9.2019 HK\$'000 (unaudited)	31.3.2019 HK\$'000 (audited)	30.9.2019 HK\$'000 (unaudited)	31.3.2019 HK\$'000 (audited)
Property	5,386,032	5,416,194	2,109,763	1,727,578
Hotel and leisure	1,532,868	1,766,116	524,472	490,428
Securities investments	262,118	191,914	79,735	4,096
Finance	481,016	790,200	24	48
SEGMENT TOTAL	7,662,034	8,164,424	2,713,994	2,222,150
Unallocated:				
Bank balances and cash	848,618	526,187	–	–
Loan notes	–	–	1,535,586	1,547,059
Accrued coupon interest on loan notes	–	–	34,244	34,595
Others	400,735	480,565	22,601	28,258
TOTAL	8,911,387	9,171,176	4,306,425	3,832,062

For the purposes of monitoring segment performances and allocating resources among segments:

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 September 2019

4. NET FAIR VALUE LOSS ON FINANCIAL INSTRUMENTS

	Six months ended 30 September	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Net decrease in fair values of financial assets at fair value through profit or loss ("FVTPL")		
– held at the end of the reporting period	(4,432)	(93,906)
– disposed of during the period	(34)	(574)
	(4,466)	(94,480)

5. FINANCE COSTS

	Six months ended 30 September	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Effective interest on loan notes (Note 20)	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
Total borrowing costs	72,071	64,126
Less: Amounts capitalised in qualifying assets	(5,087)	(3,162)
	66,984	60,964

6. TAXATION

	Six months ended 30 September	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Hong Kong Profits Tax	–	897

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 other group entities not qualifying for the two-tiered profits tax rates regime continued to be taxed at a flat rate of 16.5%.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 September 2019

6. TAXATION (Cont'd)

No provision for Hong Kong Profits Tax has been made for current period as the assessable profit was wholly absorbed by tax losses brought forward.

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

No provision for taxation in other jurisdictions has been made as there were no assessable profits for both periods.

7. (LOSS) PROFIT FOR THE PERIOD

	Six months ended 30 September	
	2019	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 repurchase of loan notes	(1,706)	–
Bank interest income	(3,634)	(978)
Other interest income	(11,337)	(22,588)

8. DISTRIBUTION

	Six months ended 30 September	
	2019	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
Dividends in form of:		
– Cash	115,424	35,464
– Scrip shares	684	77,062
	116,108	112,526
Dividend declared in respect of the current period:		
Interim dividend declared for the current period – HK3 cents (2018: HK10 cents) per share	28,988	97,204

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 September 2019

8. DISTRIBUTION (Cont'd)

Subsequent to the end of the current interim period, the board of directors of the Company (the "Directors") has resolved to declare an interim dividend of HK3 cents per share of the Company, totally amounting to HK\$28,988,000, for the six months ended 30 September 2019, which are 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 report.

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:

	Six months ended 30 September	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
(Loss) earnings:		
(Loss) profit for the period attributable to owners of the Company for the purpose of basic and diluted (loss) earnings per share	(520,562)	288,750
	2019	2018
Number of shares:		
Weighted average number of shares for the purpose of basic and diluted (loss) earnings per share	969,114,384	940,338,674

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.

10. INVESTMENT PROPERTIES

The valuations for the investment properties have been arrived at on the basis of valuations carried out on the reporting dates by an independent firm of professional valuer by adopting the direct comparison method based on the average market observable transactions of similar properties after applying adjusting factors to reflect the conditions and locations of the subject properties in respect of completed investment properties.

A decrease in fair value of investment properties of HK\$107,063,000 has been recognised directly in the condensed consolidated statement of profit or loss for the six months ended 30 September 2019 (six months ended 30 September 2018: an increase in fair value of HK\$4,991,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 September 2019

11. EQUITY AND FUND INVESTMENTS

	30.9.2019 HK\$'000 (unaudited)	31.3.2019 HK\$'000 (audited)
Listed equity securities in Hong Kong	47,202	69,113
Unlisted equity securities in overseas	26,300	27,200
Unlisted investment funds in overseas	98,309	95,596
	171,811	191,909
Analysed as:		
Current	127,051	121,816
Non-current	44,760	70,093
	171,811	191,909
Classified as financial assets at:		
FVTOCI	36,919	62,243
FVTPL	134,892	129,666
	171,811	191,909

The fair values of the listed equity securities are determined based on the closing prices quoted in active markets in Hong Kong.

The above unlisted equity securities and unlisted investment funds represent investments in securities and funds issued by private entities incorporated in overseas and are measured at fair value. Details of fair value measurements of these investments are set out in Note 24.

The management did not expect to recover the investments of HK\$44,760,000 (31 March 2019: HK\$70,093,000) within twelve months from the end of the reporting period. Therefore, such investments were classified as non-current assets.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 September 2019

12. INTERESTS IN JOINT VENTURES/AMOUNTS DUE FROM JOINT VENTURES

	30.9.2019 HK\$'000 (unaudited)	31.3.2019 HK\$'000 (audited)
Cost of unlisted investment in joint ventures	1,313,071	1,784,386
Share of post-acquisition results and other comprehensive expense, net of dividend	(527,889)	(605,053)
	785,182	1,179,333
Amounts due from joint ventures (note)	627,691	684,220
Less: Impairment loss	(11,022)	(11,022)
Less: Share of post-acquisition losses that are in excess of cost of investment	(131,798)	(115,131)
	484,871	558,067
Analysed as:		
Non-current	484,871	558,067

note: The amounts were unsecured, interest-free and had no fixed term of repayment, except for an amount of Canadian dollar ("CAD") 25,753,000 (equivalent to HK\$152,533,000) (31 March 2019: CAD24,647,000 (equivalent to HK\$144,877,000)) which carried a fixed interest rate of 15% (31 March 2019: 15%) per annum, and was repayable on 1 March 2022.

The management did not expect to recover the amounts of HK\$484,871,000 (31 March 2019: HK\$558,067,000) within twelve months from the end of the reporting period. Therefore, such amounts were classified as non-current assets.

During the current interim period, a joint venture paid CAD30,000,000 (equivalent to HK\$176,340,000) to the Group as consideration for the redemption of shares in the capital of that joint venture issued to all its shareholders including the Group.

During the current interim period, the Group disposed of its entire equity interests in certain joint ventures with carrying amounts of HK\$107,566,000, together with the amounts due from joint ventures of HK\$98,860,000 to the joint venture partners who are independent third parties at a consideration of HK\$247,000,000, resulting in a gain on disposal of joint ventures of HK\$40,574,000 (six months ended 30 September 2018: Nil). The cash consideration of HK\$215,414,000 was settled in full while the remaining consideration receivable in cash of HK\$31,586,000 was expected to be settled within twelve months from the end of the reporting period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 September 2019

12. INTERESTS IN JOINT VENTURES/AMOUNTS DUE FROM JOINT VENTURES (Cont'd)

The Group's material joint ventures at the end of the reporting period include 1488 Alberni Development Holdings Limited Partnership ("1488 Alberni LPDH"), 1488 Alberni Investment Limited Partnership ("1488 Alberni LPI"), Bayshore Ventures JV Ltd. ("Bayshore"), More Cash Limited ("More Cash") and More Star Limited ("More Star"). All of the Group's joint ventures are accounted for using equity method in these condensed consolidated financial statements. Details of the Group's material joint ventures at the end of the reporting period are as follows:

Name of the entity	Place of incorporation/ establishment	Class of shares/capital held	Nominal value of issued and fully paid share capital	Proportion of nominal value of issued share capital held by the Group		Proportion of voting power held by the Group		Principal activity
				30.9.2019	31.3.2019	30.9.2019	31.3.2019	
				%	%	%	%	
1488 Alberni LPDH	British Columbia, Canada	N/A	N/A	28	28	28 (note (a))	28 (note (a))	Property development
1488 Alberni LPI	British Columbia, Canada	N/A	N/A	28	28	28 (note (a))	28 (note (a))	Property development
Bayshore	British Virgin Islands	Ordinary	CAD112,200,000 (31.3.2019: CAD172,200,000)	50	50	50	50	Investment holding (note (b))
More Cash	British Virgin Islands	Ordinary	United States Dollars ("US\$") 100	42	42	50	50	Investment holding (note (c))
More Star	British Virgin Islands	Ordinary	US\$10	40	40	40 (note (d))	40 (note (d))	Investment holding (note (e))

notes:

- The Group is able to exercise joint control over the relevant activities of 1488 Alberni LPDH and 1488 Alberni LPI, limited partnerships incorporated in British Columbia, Canada, as the major decisions regarding the relevant activities of 1488 Alberni LPDH and 1488 Alberni LPI require unanimous consent of their respective shareholders according to the shareholders' agreements.
- The principal activities of its subsidiaries are holding of a hotel property and hotel operation in Vancouver, Canada.
- The principal activity of its subsidiaries is holding of a property in Guangzhou City, the PRC.
- The Group is able to exercise joint control over the relevant activities of More Star as the major decisions regarding the relevant activities of More Star require unanimous consent of both of the shareholders of More Star according to the shareholders' agreement.
- The principal activity of its subsidiary is holding of a hotel property in Hong Kong.

The above table lists the joint ventures of the Group which, in the opinion of the Directors, principally affected the results of the period or formed a substantial portion of the net assets of the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 September 2019

13. INTERESTS IN ASSOCIATES/AMOUNT DUE FROM(TO) AN ASSOCIATE/DEPOSIT PAID FOR THE ACQUISITION OF AN ASSOCIATE

	30.9.2019 HK\$'000 (unaudited)	31.3.2019 HK\$'000 (audited)
Cost of investment in associates, unlisted	880,905	881,356
Share of post-acquisition results and other comprehensive income, net of dividend or other returns	1,271,768	1,250,870
	2,152,673	2,132,226
Amount due from an associate (note (a))	24,686	16,686
Amount due to an associate (note (b))	586,405	408,128

notes:

- (a) The amount was unsecured, non-interest bearing and had no fixed repayment date. The management did not expect to receive the amount within twelve months from the end of the reporting period.
- (b) The amount was unsecured, non-interest bearing and repayable within one year from the end of the reporting period.

The Group's material associates at the end of the reporting period include Orient Town Limited ("Orient Town"), Empresa de Fomento Industrial E Comercial Concórdia, S.A. ("Concordia"), Rosedale Hotel Beijing Co., Ltd. ("Rosedale Beijing") and Wealth Explorer Holdings Limited ("Wealth Explorer"). All of these associates are accounted for using the equity method in these condensed consolidated financial statements. Details of the Group's material associates at the end of the reporting period are as follows:

Name of the entity	Place of incorporation/ establishment	Class of shares/ capital held	Nominal value of issued and fully paid share capital	Proportion of nominal value of issued share capital held by the Group		Proportion of voting power held by the Group		Principal activity
				30.9.2019	31.3.2019	30.9.2019	31.3.2019	
				%	%	%	%	
Orient Town	Hong Kong	Ordinary	HK\$700	45	45	45	45	Investment holding (note (a))
Concordia	Macau	Quota capital (note (b))	Macau Patacas 100,000,000	35.5	35.5	35.5	35.5	Property development
Rosedale Beijing	PRC	Registered capital	US\$86,000,000	20	20	20	20	Hotel operation in Beijing
Wealth Explorer	British Virgin Islands	Ordinary	US\$1,000	40	40	40	40	Investment holding (note (c))

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 September 2019

13. INTERESTS IN ASSOCIATES/AMOUNT DUE FROM(TO) AN ASSOCIATE/DEPOSIT PAID FOR THE ACQUISITION OF AN ASSOCIATE (Cont'd)

notes:

- (a) The principal activities of its subsidiaries are mainly property development and property management in Macau.
- (b) Quota capital represents the Portuguese equivalence of registered capital as Portuguese is the official language of Macau.
- (c) The principal activity of its subsidiaries is mainly property development in Hong Kong.

The above table lists the associates of the Group which, in the opinion of the Directors, principally affected the results of the period or formed a substantial portion of the net assets of the Group.

In June 2017, Precious Year Limited, a wholly-owned subsidiary of the Company, entered into an agreement to acquire 45.8% interests in Paul Y. Engineering Group Limited from The 13 (BVI) Limited, a wholly-owned subsidiary of South Shore Holdings Limited, a company listed on the Stock Exchange, at a consideration of HK\$265,200,000. As at 30 September 2019, a deposit of HK\$159,000,000 (31 March 2019: HK\$159,000,000) has been paid for the aforesaid acquisition and the transaction has not been completed.

14. OTHER LOAN RECEIVABLES

	30.9.2019 HK\$'000 (unaudited)	31.3.2019 HK\$'000 (audited)
Unsecured fixed-rate loan receivables	364,524	584,929
Unsecured variable-rate loan receivables	15,832	–
Secured variable-rate loan receivables	73,321	168,630
	453,677	753,559
Analysed as:		
Current	380,356	584,929
Non-current	73,321	168,630
	453,677	753,559

These loan receivables are accounted for as financial assets carried at amortised cost. The Directors perform ongoing evaluation of loss rates in assessing the expected credit losses ("ECL"), including the repayment history, financial conditions, current creditworthiness and underlying collaterals, if any, of each borrower and forward-looking information.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 September 2019

14. OTHER LOAN RECEIVABLES (Cont'd)

As at 30 September 2019, the Group's unsecured fixed-rate loan receivables of HK\$500,000,000 (31 March 2019: HK\$500,000,000), net of loss allowance for ECL of HK\$300,000,000 (31 March 2019: HK\$94,212,000) represented unsecured and unlisted loan notes issued by a company incorporated in Bermuda with limited liability with its shares listed on the Stock Exchange which carry interest at the fixed rate of 9.5% per annum (31 March 2019: fixed rate of 9.5% per annum) and matured on 27 November 2019. In the opinion of the Directors, the loss allowance of HK\$316,788,000 provided on the unsecured fixed rate loan and interest receivables is adequate but not excessive. The fixed-rate loan receivables of HK\$78,000,000 and HK\$108,000,000 (31 March 2019: HK\$78,000,000 and HK\$108,000,000), net of loss allowance for ECL of HK\$14,697,000 and HK\$6,779,000 (31 March 2019: HK\$80,000 and HK\$6,779,000), respectively, are unsecured, carried interest at fixed rates ranging from of 7% to 12% per annum (31 March 2019: fixed rates ranging from of 7% to 12% per annum) and are repayable on demand or repayable with scheduled repayment date within one year.

As at 30 September 2019, the Group's secured variable-rate loan receivables represented a loan of CAD12,384,000 (equivalent to HK\$73,352,000) (31 March 2019: CAD28,700,000 (equivalent to HK\$168,700,000)), net of loss allowance for ECL of CAD5,000 (equivalent to HK\$31,000) (31 March 2019: CAD12,000 (equivalent to HK\$70,000)), granted to Caulfield Investments Limited, the joint venture partner of Bayshore. The loan receivables are secured by certain equity interests in Bayshore, carry interest at CAD Prime Rate plus 1.25% per annum (31 March 2019: CAD Prime Rate plus 1.25% per annum) and are repayable on 31 May 2022. The unsecured variable-rate loan receivables of HK\$15,848,000 (31 March 2019: Nil), net of loss allowance for ECL of HK\$16,000 (31 March 2019: Nil), are unsecured, carry interest at Hong Kong Prime Rate plus 2% per annum (31 March 2019: Nil) and are repayable with scheduled repayment date within one year.

The management of the Group has concluded that impairment allowance for other loan receivables of HK\$220,382,000 had been provided during the six months ended 30 September 2019 (six months ended 30 September 2018: HK\$11,939,000 had been reversed) (Note 23).

15. STOCK OF PROPERTIES

	30.9.2019 HK\$'000 (unaudited)	31.3.2019 HK\$'000 (audited)
Properties under development for sale	1,045,981	906,150
Completed properties held for sale	200,365	204,787
	1,246,346	1,110,937

As at 30 September 2019, stock of properties included an amount of approximately HK\$1,045,981,000 (31 March 2019: HK\$906,150,000) which is expected to be realised after twelve months from the end of the reporting period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 September 2019

16. 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. The table below is an aged analysis of trade debtors presented based on the invoice date at the end of the reporting period:

	30.9.2019 HK\$'000 (unaudited)	31.3.2019 HK\$'000 (audited)
Trade debtors aged:		
0 – 60 days	3,855	2,956
61 – 90 days	3	77
Over 90 days	106	67
	3,964	3,100
Refundable earnest money (note (i))	23,692	23,512
Other debtors, deposits and prepayments (note (ii))	185,733	143,123
	213,389	169,735

notes:

- (i) This represents the money paid by the Group for the possible acquisition of interests in a property located in Canada.
- (ii) The other debtors, deposits and prepayments mainly represent interest receivables generated from other loan receivables, consideration receivable from disposal of a joint venture and prepayment on acquisition of land for property development.

During the six months ended 30 September 2019, the management of the Group has concluded that impairment allowance for other receivables of HK\$14,853,000 (six months ended 30 September 2018: HK\$1,000,000) had been provided (Note 23).

17. DEBT INVESTMENTS

During the current interim period, the Group has acquired unlisted bonds amounting to HK\$94,604,000, which are accounted for financial assets at FVTPL as they are managed and evaluated on a fair value basis. Their fair values are determined based on the quoted prices for identical assets in the market.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 September 2019

18. CREDITORS, DEPOSITS AND ACCRUED CHARGES

The table below is an aged analysis of trade creditors presented with reference to the invoice date at the end of the reporting period. The average credit period on purchase of goods is 60 days (31 March 2019: 60 days). The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

	30.9.2019 HK\$'000 (unaudited)	31.3.2019 HK\$'000 (audited)
Trade creditors, aged 0 – 60 days	2,848	1,905
Other creditors, deposits and accrued charges	167,982	157,270
Accrued coupon interest on loan notes	34,244	34,595
	205,074	193,770

Other creditors, deposits and accrued charges include advance from non-controlling interests of HK\$82,895,000 (31 March 2019: HK\$56,244,000) which were non-trade in nature, unsecured, interest-free and had no fixed term of repayment.

19. BANK BORROWINGS

During the period, the Group has drawn new bank borrowings amounting to HK\$570,546,000 (six months ended 30 September 2018: HK\$653,016,000) and repaid bank borrowings of HK\$310,659,000 (six months ended 30 September 2018: repaid bank and other borrowings of HK\$685,107,000). The effective interest rate of bank borrowings at the end of the reporting period was 3.64% (31 March 2019: 3.30%) per annum.

20. LOAN NOTES

In October 2016, Treasure Generator Limited (the "Issuer"), a wholly-owned subsidiary of the Group, issued guaranteed loan notes (the "Guaranteed Notes") with an aggregate principal amount of US\$200,000,000 (equivalent to approximately HK\$1,508,846,000), which are guaranteed by the Company and listed on the Stock Exchange. The Guaranteed Notes bear a coupon interest at 4.75% per annum and will mature on 14 October 2021.

Pursuant to the subscription agreement, the Issuer has the right to redeem the Guaranteed Notes in whole at the sum of (a) the principal amount outstanding on the Guaranteed Notes; and (b) the outstanding interests up to the date of redemption. The Guaranteed Notes include the value of the early repayment option as the option is closely related to the host instrument.

In addition, at any time the Controlling Shareholder (as defined in the announcement of the Company dated 6 October 2016) (i) ceases to hold, directly or indirectly, at least 35% of the voting rights of the issued share capital of the Company; or (ii) ceases to be the largest single shareholder of the Company, the holders of the Guaranteed Notes will have the right to require the Issuer to redeem all but not part of the Guaranteed Notes at 101% of their principal amount, together with accrued interest.

Furthermore, the Issuer, the Company as the guarantor or any of their respective subsidiaries may at any time purchase the Guaranteed Notes in the open market or otherwise and at any price.

During the period, the Group repurchased and cancelled the Guaranteed Notes with the principal amount of US\$1,800,000 (equivalent to HK\$14,194,000) at cash consideration of HK\$12,488,000. Thus, the Group recognised a gain of HK\$1,706,000 for this repurchase.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 September 2019

21. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
As at 1 April 2018 (audited), 30 September 2018 (unaudited), 1 April 2019 (audited) and 30 September 2019 (unaudited)	40,000,000,000	400,000
Issued and fully paid:		
As at 1 April 2018 (audited)	937,712,734	9,377
Issue of shares – scrip dividend (note (a))	34,324,792	343
As at 30 September 2018 (unaudited)	972,037,526	9,720
As at 1 April 2019 (audited)	975,286,943	9,753
Issue of shares – scrip dividend (note (b))	430,061	5
Shares repurchased and cancelled (note (c))	(9,455,000)	(95)
As at 30 September 2019 (unaudited)	966,262,004	9,663

notes:

- (a) On 17 September 2018, the Company issued a total of 34,324,792 new ordinary shares of HK\$0.01 each at an issue price of HK\$2.2451 each in lieu of cash for 2018 second interim dividend.
- (b) On 30 August 2019, the Company issued a total of 430,061 new ordinary shares of HK\$0.01 each at an issue price of HK\$1.5897 each in lieu of cash for 2019 second interim dividend.
- (c) During the current interim period, the Company cancelled a total of 9,455,000 ordinary shares upon repurchase at an aggregate consideration, including direct expenses, of HK\$17,030,000.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 September 2019

22. SHARE OPTION SCHEME

As disclosed in the announcement of the Company dated 4 April 2018, the Company has granted a total of 27,020,000 share options to the eligible participants to subscribe for the shares of the Company under the share option scheme adopted on 17 August 2012, with vesting period ranging from 1 to 2 years. The Group recognised the total expense of HK\$494,000 (six months ended 30 September 2018: HK\$1,598,000) in relation to the share options granted by the Company on 4 April 2018 in the condensed consolidated financial statements for the current interim period.

The aggregate fair values of the share options granted on 4 April 2018 determined as at the date of grant carried out by an independent firm of professional valuer using Binomial Model was HK\$4,234,000. The following data and assumptions were used to calculate the fair values of the share options as at grant date:

Closing price of the shares on the date of grant	HK\$2.57
Exercise price	HK\$2.57
Expected volatility	18.44%
Expected option life	4 years
Risk-free rate	1.743%
Expected dividend yield	8.56%

The expected volatility measured at the standard deviation is based on the historical data of the daily share price movement of the Company.

The value of a share option varies with different variables of certain subjective assumptions.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 September 2019

23. MEASUREMENT OF ECL ALLOWANCES

	Six months ended	
	30 September 2019	2018
	HK\$'000 (unaudited)	HK\$'000 (unaudited)
Impairment losses recognised (reversed) in respect of		
– Other loan receivables	220,382	(11,939)
– Other receivables included in other non-current assets	(2,419)	340
– Other receivables included in debtors, deposits and prepayments	14,854	1,000
	232,817	(10,599)

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months ended 30 September 2019 are the same as those used in the preparation of the Group's annual financial statements for the year ended 31 March 2019.

During the current interim period, the Group provided HK\$232,817,000 impairment allowance, in particular, impairment loss allowances of HK\$205,788,000 and HK\$13,747,000 have been made to the Group's unsecured fixed-rate loan receivables of HK\$500,000,000 and its outstanding interest receivables of HK\$27,979,000, respectively. Due to the continuous delay in repayment of overdue interest receivables, such loan and interest receivables were considered as credit-impaired as at 30 September 2019 (31 March 2019: not credit-impaired) and further impairment loss allowances have been provided under the re-measurement of life-time ECL. Also, these loan and interest receivables are due from a company, whose shares are listed on the Stock Exchange and have been suspended from trading on the Stock Exchange since 2 July 2019 as a result of delay in publishing its financial results to the public. The Directors consider that there is evidence indicating that the borrower is in financial difficulties and such loan and interest receivables are classified to be credit-impaired.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 September 2019

24. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The table below sets out information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1: fair value measurements are those derived from quoted prices (unadjusted) in an active market for identical assets or liabilities;
- Level 2: fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Set out below is the information about how the fair values of the Group's financial instruments that are measured at fair value are determined, including the valuation techniques and inputs used:

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
	30.9.2019 HK\$'000 (unaudited)	31.3.2019 HK\$'000 (audited)				
Financial assets at FVTPL						
Listed equity securities	36,583	34,070	Level 1	Quoted closing prices in an active market	N/A	N/A
Listed equity securities (notes (i) and (iii))	–	–	Level 3	Market approach which uses relevant information generated by certain companies with comparable businesses	Estimated number of operating cinemas and estimated number of operating screens	An increase in the estimated number of operating cinemas and estimated number of operating screens would result in an increase in fair value, and vice versa
Unlisted investment funds in overseas (note (ii))	98,309	95,596	Level 3	Net asset values of the unlisted equity and partnership investments that are the deemed resale price of the investments provided by the external counterparties	Net asset value	An increase in the net asset value would result in an increase in fair value, and vice versa

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 September 2019

24. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Cont'd)

Fair value of the Group's financial assets that are measured at fair value on a recurring basis (Cont'd)

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
	30.9.2019 HK\$'000 (unaudited)	31.3.2019 HK\$'000 (audited)				
Unlisted bond and interest rate linked notes	90,303	–	Level 2	Quoted prices for identical or similar assets in market that are not active	N/A	N/A
Financial assets at FVTOCI						
Listed equity securities	10,619	35,043	Level 1	Quoted closing prices in an active market	N/A	N/A
Unlisted equity securities (note (i))	26,300	27,200	Level 3	Market approach which uses relevant information generated by certain companies of comparable businesses	Minority and marketability discount of 25% (31.3.2019: 25%) (note (ii))	A significant increase in the minority and marketability discount would result in a significant decrease in fair value, and vice versa

notes:

- (i) The fair values of the unlisted equity securities as at 30 September 2019 and 31 March 2019 are determined by Asset Appraisal Limited, using the market approach.

Reconciliation of Level 3 fair value measurement of financial assets is as follows:

	Unlisted investment funds in overseas HK\$'000	Unlisted equity securities HK\$'000	Listed equity securities HK\$'000	Total HK\$'000
As at 1 April 2018 (audited)	7,062	30,300	–	37,362
Transfer	–	–	146,261	146,261
Unrealised loss, recognised in:				
– profit or loss	(16)	–	(6,619)	(6,635)
– other comprehensive expense	–	(3,300)	–	(3,300)
As at 30 September 2018 (unaudited)	7,046	27,000	139,642	173,688
As at 1 April 2019 (audited)	95,596	27,200	–	122,796
Unrealised loss, recognised in:				
– profit or loss	2,713	–	–	2,713
– other comprehensive expense	–	(900)	–	(900)
As at 30 September 2019 (unaudited)	98,309	26,300	–	124,609

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 September 2019

24. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS *(Cont'd)*

Fair value of the Group's financial assets that are measured at fair value on a recurring basis *(Cont'd)*

notes: *(Cont'd)*

- (ii) A 5% increase/decrease in the minority and marketability discount holding all other variables constant would decrease the carrying amount of the unlisted equity securities by HK\$1,800,000/increase by HK\$1,700,000 (31 March 2019: decrease/increase by HK\$1,800,000).
- (iii) Following the suspension of trading of the related equity securities and due to a lack of quoted closing prices or recent transaction prices in the market, the quoted closing price of certain listed equity securities was no longer available and thus the fair value of such listed equity securities was measured using a valuation technique performed by independent professional valuers with significant unobservable inputs made by the management and hence classified as Level 3 of the fair value hierarchy as at 30 September 2019 and 31 March 2019. As at 30 September 2019, an approximately 20% increase in the number of operating screens, holding all other variables constant, would result in zero (31 March 2019: zero) increase in fair value of the Level 3 suspended listed equity securities.

Except as those disclosed in note (iii), there was no other transfer amongst Level 1, Level 2 and Level 3 for both periods.

The fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on a discounted cash flow analysis.

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 September 2019

25. CAPITAL AND OTHER COMMITMENTS

	30.9.2019 HK\$'000 (unaudited)	31.3.2019 HK\$'000 (audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of:		
– construction of investment properties	3,070	4,202
– equity and fund investments	37,490	40,138
	40,560	44,340
Other commitments:		
– acquisition of stock of properties	–	8,280
– construction of stock of properties	82,592	139,890
– investment in associates	166,200	106,200
– investment in joint ventures	13,442	15,072
– loan to joint ventures	50,408	56,522
– capital contribution in a company for a proposed land development in Vietnam	9,930	9,941
	322,572	335,905
	363,132	380,245

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 September 2019

26. FINANCIAL GUARANTEE CONTRACTS

At the end of the reporting period, the Group has entered into financial guarantee contracts by provision of corporate guarantees in respect of the credit facilities granted by the banks to its joint ventures and associate, with the respective granted amounts as follows:

	30.9.2019 HK\$'000 (unaudited)	31.3.2019 HK\$'000 (audited)
a 50%-owned joint venture	–	91,000
a 40%-owned associate	565,707	565,707
a 50%-owned joint venture	58,000	58,000
a 40%-owned joint venture	307,200	320,000
a 28%-owned joint venture in Canada	232,182	230,418
a 50%-owned joint venture in Canada	533,070	365,397

The amounts disclosed above represent the aggregate amounts that could be required to be paid if the guarantees were called upon in entirety as at 30 September 2019, of which credit facilities amounted to HK\$1,400,239,000 (31 March 2019: HK\$1,307,070,000) have been utilised by the joint ventures/associate.

As at 30 September 2019 and 31 March 2019, the ECL for outstanding financial guarantees are assessed to be immaterial.

27. RELATED PARTY DISCLOSURES

- (i) Compensation of key management personnel:

The remuneration of the Directors in respect of the current period is as follows:

	Six months ended 30 September 2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Short-term benefits	7,986	8,656

The remuneration of Directors is determined by the remuneration committee, with reference to the prevailing market conditions, their duties and responsibilities and time spent on the affairs of the Group as well as their performance.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 September 2019

27. RELATED PARTY DISCLOSURES (Cont'd)

(ii) Related party transactions:

During the period, the Group entered into the following transactions with related parties:

Related parties	notes	Nature of transactions	Six months ended 30 September	
			2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
<i>Joint ventures:</i>				
Fortress State International Limited ("Fortress State")	(a)	Interest income Cash payment on lease	– 40,000	7,990 38,400
1488 Alberni LPDH (as defined in Note 12)		Interest income	10,770	9,951
1488 Alberni LPI (as defined in Note 12)		Interest income	567	524
<i>Associates:</i>				
Macau Properties Holdings Limited		Rental income	587	579
Concordia (as defined in Note 13)		Management fee income	60	60
<i>Other related companies:</i>				
Hi Park Limited ("Hi Park")	(b)	Short-term lease expense Licence fee income Rental income and management fee income	14 299 394	14 294 320
Vectr Ventures Limited ("Vectr")	(c)	Rental income and management fee income	544	544

notes:

- (a) As at 31 March 2019, the Group had commitments for the future minimum lease payments under non-cancellable operating lease with Fortress State amounting to HK\$80,000,000 which fall due within one year.
- (b) Mr. Cheung Hon Kit, who is an executive Director, is also the shareholder of Hi Park.
- (c) Vectr is controlled by Mr. Chan Yiu Lun, Alan, who is an executive Director.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 September 2019

28. EVENTS AFTER REPORTING PERIOD

- (a) 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 Limited 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 report. Details of the transaction were disclosed in the announcement of the Company dated 16 October 2019.

- (b) On 29 November 2019, the Group acquired 9.5% effective interests in SH Renaissance at a consideration of HK\$146,400,000 from an independent third party. 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 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.. An unsecured fixed-rate loan receivables in the principal amount of HK\$180,000,000, together with interest accrued thereon, are to be transferred to the vendor as partial settlement of the consideration for the acquisition of SH Renaissance at an agreed value of HK\$96,400,000.

DEFINITIONS

In this interim report, the following expressions have the following meanings unless otherwise specified:

Board	the board of Directors
CG Code	the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules
Company	ITC Properties Group Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the main board of the Stock Exchange (Stock Code: 199)
Director(s)	the director(s) of the Company
Group	the Company and its subsidiaries
HK\$	Hong Kong dollars, the lawful currency of Hong Kong
Hong Kong	Hong Kong Special Administrative Region of the PRC
Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange as amended, supplemented or otherwise modified from time to time
Macau	Macau Special Administrative Region of the PRC
Model Code	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
Period	the six months ended 30 September 2019
PRC	the People's Republic of China, and for the purpose of this interim report, excluding Hong Kong, Macau and Taiwan
SFO	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
Share(s)	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
Shareholder(s)	holder(s) of the Share(s)
Share Option Scheme	the existing share option scheme of the Company adopted on 17 August 2012
Stock Exchange	The Stock Exchange of Hong Kong Limited
sq. ft.	square feet
sq. m.	square metres
US\$	United States dollars, the lawful currency of the United States
%	per cent.

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



德祥地產集團有限公司

ITC PROPERTIES GROUP LIMITED

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