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德祥地產集團有限公司*

ITC PROPERTIES GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 199)

**INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2016**

	Six months ended	
	30.9.2016	30.9.2015
FINANCIAL HIGHLIGHTS		
<i>(All in Hong Kong dollar)</i>		
Revenue		
Per condensed consolidated statement of profit or loss	\$80 million	\$66 million
Property income and hotel revenue – share of associates and joint ventures	\$753 million	\$2,046 million
	\$833 million	\$2,112 million
Net profit	\$386 million	\$699 million
Basic earnings per share	45 cents	87 cents
Interim dividend per share	10 cents	10 cents

* For identification purpose only

RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of ITC Properties Group Limited (the “**Company**”) is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30th September, 2016, together with the comparative figures for the corresponding period in 2015.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2016

		Six months ended	
	<i>Notes</i>	30.9.2016 <i>HK\$'000</i> (unaudited)	30.9.2015 <i>HK\$'000</i> (unaudited)
Revenue	3	<u>79,662</u>	<u>66,464</u>
Hotel operation income		52,761	53,219
Property income		8,176	2,074
Direct cost		<u>60,937</u> (24,322)	<u>55,293</u> (24,506)
Gross profit		36,615	30,787
Income from loan financing		18,294	11,171
Net gain (loss) on financial instruments		21,882	(42,911)
Other income, gains and losses		45,127	55,723
Net increase in fair value of investment properties		2,235	4,282
Administrative and other expenses		(123,102)	(203,692)
Finance costs	4	(13,483)	(25,230)
Share of results of associates		421,976	906,525
Share of results of joint ventures		(23,861)	(38,138)
Profit before taxation		385,683	698,517
Taxation		<u>–</u>	<u>–</u>
Profit for the period	5	<u>385,683</u>	<u>698,517</u>
Profit (loss) for the period attributable to:			
Owners of the Company		385,852	699,699
Non-controlling interests		(169)	(1,182)
		<u>385,683</u>	<u>698,517</u>
Earnings per share	7		
– Basic (HK dollar)		<u>0.45</u>	<u>0.87</u>
– Diluted (HK dollar)		<u>0.45</u>	<u>0.87</u>

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

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2016

	Six months ended	
	30.9.2016	30.9.2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Profit for the period	<u>385,683</u>	<u>698,517</u>
Other comprehensive income (expense)		
<i>Item that will not be reclassified to profit or loss:</i>		
Net gain (loss) on fair value changes of financial assets designated as at fair value through other comprehensive income	50,817	(70,970)
<i>Items that may be subsequently reclassified to profit or loss:</i>		
Reclassification adjustment of translation reserve to profit or loss upon loss of control over subsidiaries	–	(7,486)
Exchange differences arising on translation of foreign operations	(37,346)	(7,130)
Share of translation reserve of associates and joint ventures	<u>(725)</u>	<u>(1,508)</u>
Other comprehensive income (expense) for the period	<u>12,746</u>	<u>(87,094)</u>
Total comprehensive income for the period	<u><u>398,429</u></u>	<u><u>611,423</u></u>
Total comprehensive income (expense) for the period attributable to:		
Owners of the Company	398,598	612,662
Non-controlling interests	<u>(169)</u>	<u>(1,239)</u>
	<u><u>398,429</u></u>	<u><u>611,423</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30TH SEPTEMBER, 2016

	<i>Note</i>	30.9.2016 HK\$'000 (unaudited)	31.3.2016 <i>HK\$'000</i> (audited)
Non-current assets			
Property, plant and equipment		587,454	215,212
Investment properties		934,000	1,254,000
Equity investments		285,008	233,414
Debt investment		8,023	7,924
Interests in joint ventures		561,022	644,193
Amounts due from joint ventures		567,616	512,578
Deposit paid for acquisition of a joint venture		489,825	–
Interests in associates		2,782,306	2,361,800
Amount due from an associate		14,886	–
Other loan receivable		117,900	–
Other non-current assets		125,780	126,030
		6,473,820	5,355,151
Current assets			
Inventories – food, beverages and general stores		533	575
Deposits paid for acquisition of leasehold land		345,005	353,486
Stock of properties		685,638	400,256
Other loan receivables		424,691	421,289
Debtors, deposits and prepayments	8	111,920	520,342
Equity investments		71,178	12,674
Bank balances and cash		478,040	615,357
		2,117,005	2,323,979

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30TH SEPTEMBER, 2016

	<i>Note</i>	30.9.2016 HK\$'000 (unaudited)	31.3.2016 <i>HK\$'000</i> (audited)
Current liabilities			
Creditors, deposits and accrued charges	9	129,809	133,704
Amounts due to associates		1,110,454	602,994
Tax payables		178,359	179,108
Loan notes – due within one year		–	190,544
Obligations under finance leases			
– due within one year		114	113
Bank and other borrowings			
– due within one year		977,252	807,535
		<u>2,395,988</u>	<u>1,913,998</u>
Net current (liabilities) assets		<u>(278,983)</u>	<u>409,981</u>
Total assets less current liabilities		<u>6,194,837</u>	<u>5,765,132</u>
Non-current liabilities			
Obligations under finance leases			
– due after one year		178	234
Bank and other borrowings			
– due after one year		378,642	250,000
		<u>378,820</u>	<u>250,234</u>
		<u>5,816,017</u>	<u>5,514,898</u>
Capital and reserves			
Share capital		8,847	8,602
Reserves		5,803,534	5,508,147
		<u>5,812,381</u>	<u>5,516,749</u>
Equity attributable to owners of the Company		5,812,381	5,516,749
Non-controlling interests		3,636	(1,851)
		<u>5,816,017</u>	<u>5,514,898</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2016

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” and other relevant HKAS and interpretations and Hong Kong Financial Reporting Standards (“**HKFRS(s)**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). The condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31st March, 2016, which have been prepared in accordance with HKFRSs.

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30th September, 2016 are the same with those followed in the preparation of the Group’s annual financial statements for the year ended 31st March, 2016 except that in the current interim period, the Group has applied, for the first time, certain amendments to HKFRSs issued by the HKICPA that are mandatorily effective for the current interim period. However, such application of amendments to HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

3. SEGMENT INFORMATION

The Group’s operating segments, based on information reported to the chief operating decision maker (the “**CODM**”), the executive Directors, for the purpose of resource allocation and performance assessment, are as follows:

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

Information regarding these segments is reported below.

For the six months ended 30th September, 2016

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

For the six months ended 30th September, 2015

	Segment revenue <i>HK\$'000</i>	Operating profit (loss) <i>HK\$'000</i>	Share of results of associates <i>HK\$'000</i>	Share of results of joint ventures <i>HK\$'000</i>	Finance costs <i>HK\$'000</i>	Segment results: profit (loss) before taxation <i>HK\$'000</i>
Property	2,074	(63,863)	912,985	(1,427)	(2,209)	845,486
Hotel and leisure	53,219	19,263	(6,460)	(12,205)	(23,013)	(22,415)
Securities investments	-	(43,101)	-	-	-	(43,101)
Finance	11,171	11,232	-	-	-	11,232
SEGMENT TOTAL	66,464	(76,469)	906,525	(13,632)	(25,222)	791,202
Unallocated	-	(68,171)	-	(24,506)	(8)	(92,685)
GROUP TOTAL	66,464	(144,640)	906,525	(38,138)	(25,230)	698,517

The CODM assesses the performance of the operating segments based on the profit (loss) before taxation of the group entities engaged in the respective segment activities which represents the segment result. Financial information provided to the CODM is measured in a manner consistent with the accounting policies adopted in the preparation of the condensed consolidated financial statements.

4. FINANCE COSTS

	Six months ended	
	30.9.2016	30.9.2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Effective interest on loan notes	2,821	19,253
Interest on bank and other borrowings	14,091	8,366
Interest on obligations under finance leases	9	8
	<hr/>	<hr/>
Total borrowing costs	16,921	27,627
Less: amounts capitalised in qualifying assets	(3,438)	(2,397)
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	13,483	25,230
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5. PROFIT FOR THE PERIOD

	Six months ended	
	30.9.2016	30.9.2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	4,840	4,834
Cost of inventories recognised as an expense	4,370	4,047
Loss (gain) on disposal of property, plant and equipment	3	(200)
Bank interest income	(208)	(196)
Other interest income	(23,136)	(10,656)
	<hr/>	<hr/>
	(23,136)	(10,656)
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6. DISTRIBUTION

	Six months ended	
	30.9.2016	30.9.2015
	HK\$'000	HK\$'000
Dividends recognised as distribution during the period:		
Final dividend declared for the year ended 31st March, 2016		
– HK10.0 cents (2015: HK20.0 cents) per ordinary share	86,034	160,004
Special dividend declared for the year ended 31st March, 2016		
– HK10.0 cents (2015: Nil) per ordinary share	86,034	–
	<u>172,068</u>	<u>160,004</u>
Dividends in form of:		
– Cash	103,401	42,289
– Scrip dividend	68,667	117,715
	<u>172,068</u>	<u>160,004</u>
Dividend declared in respect of the current period:		
Interim dividend declared for the current period		
– HK10.0 cents (2015: HK10.0 cents) per ordinary share	88,476	83,483

Subsequent to the end of the current interim period, the Directors have resolved that an interim dividend of HK10.0 cents per ordinary share of the Company (the “**Share(s)**”) for the period ended 30th September, 2016 will be payable in cash with an option to elect scrip dividend of Shares, in respect of all or part of such dividend, and has been calculated by reference to the 884,758,073 issued Shares outstanding as at the date of this announcement.

7. EARNINGS PER SHARE

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

	Six months ended	
	30.9.2016	30.9.2015
	HK\$'000	HK\$'000
Earnings:		
Profit for the period attributable to the owners of the Company and earnings for the purpose of basic and diluted earnings per share	<u>385,852</u>	<u>699,699</u>
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	860,362,161	799,886,599
Effect of dilutive potential ordinary shares: – share options	<u>103,788</u>	<u>2,800,034</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>860,465,949</u>	<u>802,686,633</u>

8. DEBTORS, DEPOSITS AND PREPAYMENTS

The Group's credit terms are negotiated at terms determined and agreed with its trade customers. The Group allows an average credit period of 60 days (31st March, 2016: 60 days) to its trade customers. Included in debtors, deposits and prepayments are trade debtors of HK\$3,098,000 (31st March, 2016: HK\$2,140,000).

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

	30.9.2016	31.3.2016
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Trade debtors aged:		
0–60 days	2,885	2,062
61–90 days	–	72
Over 90 days	<u>213</u>	<u>6</u>
	<u>3,098</u>	<u>2,140</u>

9. CREDITORS, DEPOSITS AND ACCRUED CHARGES

Included in creditors, deposits and accrued charges are trade creditors of HK\$2,349,000 (31st March, 2016: HK\$3,281,000).

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

	30.9.2016 <i>HK\$'000</i> (unaudited)	31.3.2016 <i>HK\$'000</i> (audited)
Trade creditors aged:		
0-60 days	2,348	2,103
61-90 days	1	1,152
Over 90 days	—	26
	<u>2,349</u>	<u>3,281</u>

10. EVENT AFTER THE END OF THE REPORTING PERIOD

On 14th October, 2016, the Group has completed the issue and listing of US\$200,000,000 4.75% guaranteed notes due 2021, details of which was set out in the announcement of the Company dated 6th October, 2016.

INTERIM DIVIDEND

The Board has resolved to pay an interim dividend (the “**Interim Dividend**”) of HK10 cents per ordinary share of the Company (the “**Share(s)**”) (six months ended 30th September, 2015: HK10 cents) for the six months ended 30th September, 2016 to the shareholders of the Company (the “**Shareholders**”) whose names appear on the register of members of the Company as at the close of business on Wednesday, 14th December, 2016 and the Interim Dividend is expected to be paid to the Shareholders on or about Friday, 20th January, 2017.

The Interim Dividend will be satisfied in cash, with an option to elect scrip dividend of Shares, in respect of part or all of such dividend. The issue price of the Shares to be issued under the scrip dividend scheme will be fixed by reference to the average of the closing prices of the Shares for the three consecutive trading days ending Wednesday, 14th December, 2016 less a discount of five percent of such average price or par value of the Shares, whichever is higher. The scrip dividend scheme is conditional upon the Stock Exchange granting the listing of, and permission to deal in, the new Shares to be issued. A circular containing full details of the scrip dividend scheme and a form of election will be sent to the Shareholders.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 13th December, 2016 to Wednesday, 14th December, 2016, during which period no transfer of the Shares will be effected. In order to be entitled to the Interim Dividend, all transfers of the Shares accompanied by the relevant share certificates must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration by no later than 4:30 p.m. on Monday, 12th December, 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group's revenue for the six months ended 30th September, 2016 amounted to HK\$79.7 million (30.9.2015: HK\$66.5 million), representing an increase of 19.8% and gross profit increased to HK\$36.6 million for the period (30.9.2015: HK\$30.8 million) mainly due to the increment in rental income from Cheuk Nang Plaza after its acquisition in October 2015. However, as there was a significant decrease in the share of profits from an associate, Empresa De Fomento Industrial E Comercial Concórdia, S.A. ("**Concordia**") during the current period, the Group recorded a profit for the period attributable to owners of the Company of HK\$385.9 million, representing a reduction of 45% as compared to HK\$699.7 million for the same period last year.

Property

Macau

The Group continued to recognise a significant profit of over HK\$400.0 million from its 35.5% effective interest in Concordia, the developer of a residential and commercial project named "One Oasis" in Cotai South, Macau. As most of the presold units of One Oasis had been handed over to the end buyers as at 31st March, 2016 and the number of remaining units handed over during the current period was much lesser than that of the corresponding period last year, profits recognised by Concordia for the current period dropped. As a result, there was a significant decrease in the share of profits from Concordia by the Group as compared with the same period last year.

The handover of the remaining units and ancillary car parks of blocks 10 to 12 was ongoing during the current period. At 30th September, 2016, there are special units with saleable area in aggregate of 160,000 sq. ft. and 600 car parking spaces retained in stock. The marketing of these stocks will be launched at opportune time which sale will instantly make profit contribution to the Group.

On top of the remarkable sales performance having achieved and the acclaimed quality of our delivered products, we strive to put more effort to our pursuit of excellence in design and standard for the remaining phases to enhance the sale value. "Sky Oasis", an extension of One Oasis, is the first ever international yoo-branded residence in Macau. Approximately 360 small units of the Sky Oasis have been launched for pre-sale in early October 2016, of which over 75% units were sold within a short period of time. The pre-sale of the remaining saleable area under development of 1,800,000 sq. ft. will be launched by phases in the coming two years.

With the good market reputation of One Oasis, we are confident that we can achieve good sale response on the residential units of Sky Oasis which will significantly surpass the average selling price of One Oasis.

Hong Kong

The redevelopment plan of No. 23 Po Shan Road in Mid-levels, in which the Group has 40% interest, has been approved by the Buildings Department with an increase in gross floor area to 80,000 sq. ft.. The foundation works have been commenced for the construction of a super luxury residential mid-rise building over the site.

The renovation works of Cheuk Nang Plaza, which is a 31-storey commercial building with 25 car parks situated at the heart of Wanchai district along Hennessy Road, are ongoing. The building will be renamed as “ITC Building”. Part of the premises is planned for self-use and the remaining floor area will continue for leasing.

The demand-led redevelopment project of Urban Renewal Authority (“URA”) for the development of Nos. 205-211A Hai Tan Street in Sham Shui Po has been progressing as scheduled. Upon completion, this project will provide a total gross floor area of 38,000 sq. ft. mainly for residential plus a few shops.

The Group has been working on the compulsory acquisition under the Land (Compulsory Sale for Redevelopment) Ordinance for the remaining 1 shop unit on the ground floor at No. 41 Pau Chung Street, To Kwa Wan. Upon completion of the compulsory acquisition, the Group will own the entire property interest on the site from Nos. 41 to 45 of Pau Chung Street for redevelopment into a residential tower with lower-level shops.

PRC

The preliminary works and planning have progressed well for the Cisco (Guangzhou) Smart City Project. It situates next to the university zone in Panyu, Guangzhou. The listing-for-sale for the first land parcel under government-prescribed procedure is expected to take place around the end of 2016. The Group is in active negotiation with a prominent Mainland Chinese developer for setting up a joint venture to co-develop the massive project.

Overseas

In April 2016, the Group through 28%-owned joint ventures acquired a parcel of land together with buildings erected thereon along Alberni Street in the West End area of Vancouver, Canada within walking distance to the Central Business District, main retail arterials in Downtown Vancouver as well as the main retail arterials of the West End. The existing buildings on the site will be demolished and the joint ventures plan to redevelop the site into mixed residential and commercial towers of about 648,000 sq. ft. for sale.

In September 2016, the Group through a 90%-owned subsidiary acquired Townsend House situated at Greycoat Place, London, United Kingdom (“**Townsend House**”), which is a freehold 4-storey office building prominently located on a corner plot and is within a five-minute walk from both Victoria and St James’s Park mainline and underground stations. The existing net floor area of 26,500 sq. ft. is leased for rental income. The Group plans to redevelop this property for office and residential use.

Hotel and Leisure

Revenue from this segment during the period was HK\$52.8 million (30.9.2015: HK\$53.2 million), mainly representing the revenue from hotel operations of Rosedale Hotel Kowloon. The segmental loss amounted to HK\$7.5 million (30.9.2015: HK\$22.4 million) as the operating profit was not adequate to cover the finance costs.

The Le Petit Rosedale Hotel of 94 rooms at No. 7 Moreton Terrace, Causeway Bay has commenced its business in early October 2016 which is expected to contribute good income to the Group.

In June 2016, the Group entered into an agreement to subscribe for a 50% interest in a joint venture which is the indirect beneficial owner of The Westin Bayshore Vancouver located at a landmark waterfront site in Downtown Vancouver. It is a first class (four diamond) full-service hotel comprising 511 guest rooms. In addition, there are a six-slip marina, plenty car parking spaces, ample meeting amenity and retail spaces. In the long run, the Group together with the joint venture partner will explore the redevelopment potential of this hotel. The completion of the subscription is expected to take place shortly.

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

Location	Usage	Group's interest (%)	Attributable gross floor area (sq. ft.)
Macau			
One Oasis situated at Estrada de Seac Pai Van	Residential/ Commercial	35.5	803,000
Sub-total			803,000
Hong Kong			
Redevelopment project situated at No. 23 Po Shan Road, Mid-levels	Residential	40	32,000
yoo Residence situated at No. 33 Tung Lo Wan Road, Causeway Bay	Residential/ Shops	50	7,800
Redevelopment project situated at Nos. 41, 43 and 45 Pau Chung Street, To Kwa Wan	Residential/ Shops	100	11,000
Redevelopment project situated at Nos. 205–211A Hai Tan Street, Sham Shui Po	Residential/ Commercial	100	38,000
Premises situated at 30/F., Bank of America Tower, 12 Harcourt Road, Central	Office	100	13,880
Cheuk Nang Plaza situated at Nos. 244, 246, 248 and 250 Hennessy Road, Wanchai	Office	100	55,600
Le Petit Rosedale Hotel situated at No. 7 Moreton Terrace, Causeway Bay	Hotel	100	31,000
Rosedale Hotel Kowloon situated at No. 86, Tai Kok Tsui Road, Tai Kok Tsui	Hotel	40	44,000
Sub-total			233,280
PRC			
Rosedale Hotel & Suites, Beijing situated at 8 Jiang Tai Road West, Chao Yang District, Beijing	Hotel	20	80,000
Land situated at the Cyber Park, Sanya City, Hainan Province	Hotel	100	886,000
Sub-total			966,000
Overseas			
Redevelopment project situated at 1444 Alberni Street, 711 Broughton Street & 740 Nicola Street, Vancouver, BC, Canada	Residential/ Commercial	28	181,000
The Westin Bayshore Vancouver situated at 1601 Bayshore Drive, Vancouver, BC, Canada	Hotel	50	221,000
Townsend House situated at Greycoat Place, London, United Kingdom	Commercial	90.1	23,900
Sub-total			425,900
Total			2,428,180

Securities Investments

During the six months ended 30th September, 2016, revenue and segmental profit from securities investment were HK\$0.4 million (30.9.2015: Nil) and HK\$21.6 million (30.9.2015: segmental loss of HK\$43.1 million) respectively. In addition, there was HK\$51.4 million net gain on fair value changes of equity investments charged as other comprehensive income during the current period (30.9.2015: net loss of HK\$70.1 million) due to the share price fluctuation of The 13 Holdings Limited, in which the Group owns 10.2% interest.

At the end of the reporting period, the Group had equity investments totaling HK\$356.2 million, mainly composed of securities listed in Hong Kong.

Finance

During the period, the Group had interest income from other loan receivables of HK\$18.3 million (30.9.2015: HK\$11.2 million). At the end of the reporting period, other loan receivables of the Group amounted to HK\$542.6 million.

FINANCIAL REVIEW

As at 30th September, 2016, the Group had total bank and other borrowings of HK\$1,355.9 million. After netting off bank balances and cash of HK\$478.0 million and comparing with the Group's shareholders' funds of HK\$5,812.4 million, the Group's net gearing ratio at 30th September, 2016 remained low at 0.15 (31.3.2016: 0.11). All of the bank and other borrowings are subject to floating interest rates and an aggregate amount of HK\$977.3 million of which is repayable within one year. The Group will closely monitor and manage its exposure to interest rate fluctuations and will consider engaging hedging instruments as and when appropriate.

As at 30th September, 2016, the Group had unused banking facilities of HK\$336.8 million which can be utilised to finance the construction of properties and working capital of the Group. During the six months ended 30th September, 2016, bank borrowings in aggregate of HK\$511.5 million were drawn down to finance the development of Le Petit Rosedale Hotel, URA project at Hai Tan Street, acquisition of Townsend House and working capital of the Group as well as repayments of loan notes of HK\$200.0 million to reduce the finance costs. The Group will continue to closely monitor its liquidity and working capital requirement to ensure appropriate financing arrangements are made when necessary.

As at 30th September, 2016, the Group had net current liabilities of HK\$279.0 million (31.3.2016: net current assets of HK\$410.0 million) which is mainly attributable to the amounts due to associates of HK\$1,110.5 million. Most of such amounts due to associates will be settled by dividends to be declared by the associates in the coming year.

In October 2016, the Group had issued 4.75% loan notes due 2021, which is listed on the Stock Exchange, in the aggregate principal amount of US\$200.0 million. The net proceeds of US\$194.7 million are retained by the Group for its working capital use.

The majority of the Group's assets and liabilities are denominated in Hong Kong dollars, Renminbi, Macau Pataca, United State dollars and Canadian dollars. No hedging instruments were engaged though the Group will closely monitor the foreign exchange risk exposure.

PROSPECTS

The external conditions remain uncertain with macro-economic policies that vary in scale and intensity across countries including but not limited to speculation on the US interest rate hike and the volatility in Renminbi. There is some turnaround in the economy of Macau with improvements in gross gaming revenue and property market. The governments of both the PRC and Hong Kong recently implemented further measures to curb on the increase in residential property prices. As a result, the market there may again revert to a wait-and-see sentiment. The huge success in One Oasis and Sky Oasis has already provided and will continue to contribute to the Group substantial financial return and valuable experience for carrying out its mission and dealing with challenges ahead. In addition to stepping its businesses further to Canada and United Kingdom, we will keep improving earnings and enhancing the Shareholders' value by working hard on the projects on hand and will be selective and cautious on replenishing its portfolio when suitable opportunity arises.

PLEDGE OF ASSETS

As at 30th September, 2016, the Group's general credit facilities granted by banks and financial institutions were secured by pledges of the Group's investment properties of HK\$934.0 million, stock of properties of HK\$570.4 million, interest in a joint venture of HK\$46.3 million and property, plant and equipment of HK\$576.4 million.

CONTINGENT LIABILITIES

As at 30th September, 2016, the Group provided corporate guarantees on a several basis to the extent of (i) HK\$21.0 million (31.3.2016: HK\$21.0 million) and HK\$140.3 million (31.3.2016: Nil) in respect of the banking facilities granted to two joint ventures, in which the Group owned 50% and 28% equity interest respectively, the total loans outstanding under the banking facilities are HK\$19.3 million (31.3.2016: HK\$19.8 million) and HK\$140.3 million (31.3.2016: Nil) respectively; and (ii) HK\$525.8 million (31.3.2016: HK\$525.8 million) in respect of the banking facilities granted to an associate, in which the Group owned 40% equity interest, the total loan outstanding under the banking facilities is HK\$257.3 million (31.3.2016: HK\$256.0 million).

NUMBER OF EMPLOYEES AND REMUNERATION POLICIES

As at 30th September, 2016, the total number of employees of the Group was 278 (31.3.2016: 267). Employees are remunerated according to their qualifications and experience, job nature and performance, under the pay scales aligned with market conditions. Other benefits to employees include medical, insurance coverage, share options and retirement schemes.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30th September, 2016.

SECURITIES IN ISSUE

During the period ended 30th September, 2016, 60,000 share options under the share option scheme of the Company adopted by the Shareholders at the annual general meeting of the Company on 17th August, 2012 with scheme limit refreshed on 12th August, 2016 (the “**2012 Share Option Scheme**”) lapsed.

During the period ended 30th September, 2016, (i) 24,419,213 new Shares were issued by the Company pursuant to the scrip dividend scheme in relation to the final and special dividends for the year ended 31st March, 2016 and (ii) 145,000 new Shares were issued by the Company upon exercise by holders of share options granted under the 2012 Share Option Scheme at the exercise price of HK\$3.00 per Share.

As at 30th September, 2016, (i) there were 884,758,073 Shares in issue; and (ii) a total of 4,535,000 share options granted by the Company at an initial exercise price of HK\$3.00 per Share (subject to adjustments) pursuant to the 2012 Share Option Scheme remained outstanding.

Save as disclosed above, there was no movement in the securities in issue of the Company during the six months ended 30th September, 2016.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE AND CORPORATE GOVERNANCE REPORT

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

The Company has, throughout the six months ended 30th September, 2016, complied with all the code provisions of the Corporate Governance Code and Corporate Governance Report (the “**CG Code**”) as set out in Appendix 14 to the Listing Rules and applied the principles contained therein.

AUDIT COMMITTEE

The principal duties of the audit committee of the Company (the “**Audit Committee**”) include reviewing the Group’s interim and final results prior to recommending them to the Board for its approval; making recommendation on the appointment of the external auditor and acting as the key representative body for overseeing the Company’s relations with the external auditor; and reviewing the Group’s financial information, financial reporting system, risk management system and internal control procedures. The Audit Committee, with specific written terms of reference in line with the code provisions of the CG Code, currently consists of three independent non-executive Directors, namely Mr. Chan Pak Cheong Afonso (chairman of the Audit Committee), Hon. Shek Lai Him, Abraham, *GBS, JP* and Mr. Kwok Ka Lap, Alva.

The Audit Committee has reviewed with the management and the Company's auditor the accounting principles and practices adopted by the Group and discussed auditing, financial reporting process and internal control matters including a review of the interim results for the six months ended 30th September, 2016.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. Following specific enquiries made by the Company, all the Directors confirmed that they have complied with the required standards as set out in the Model Code during the six months ended 30th September, 2016.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and on the website of the Company at www.itcproperties.com. The interim report of the Company for the six months ended 30th September, 2016 containing all information required by the Listing Rules will be despatched to the Shareholders and will be published on the respective websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 23rd November, 2016

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

Executive Directors:

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

Independent Non-executive Directors:

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