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德祥地產集團有限公司*

ITC PROPERTIES GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 199)

**INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020**

	Six months ended	
	30.9.2020	30.9.2019
FINANCIAL HIGHLIGHTS		
<i>(All in Hong Kong dollar)</i>		
Revenue		
Per condensed consolidated statement of profit or loss	\$28 million	\$111 million
Property income and hotel revenue		
– share of associates and joint ventures	\$98 million	\$201 million
– by way of disposal of interest in a joint venture	–	\$167 million
	<u>\$126 million</u>	<u>\$479 million</u>
Net loss	<u>\$(303) million</u>	<u>\$(521) million</u>
Basic loss per share	<u>(32) cents</u>	<u>(54) cents</u>
Interim dividend per share	<u>–</u>	<u>3 cents</u>

* For identification purpose only

The board of directors (the “**Director**”) (the “**Board**”) of ITC Properties Group Limited (the “**Company**”) is pleased to present the interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 September 2020 (the “**Period**”).

BUSINESS REVIEW

Throughout the Period, the global economy and business activities have been adversely affected by the outbreak of COVID-19, and hospitality industry is one of the sectors severely impacted. The Group’s hotel operations in Hong Kong inevitably faced unprecedented challenges. Following the expiry of the lease agreement on 31 March 2020, the Group ceased to be the sole operator of its 40%-owned Rosedale Hotel Kowloon. As a result, there were savings in lease payment while revenue and operating loss from Rosedale Hotel Kowloon were no longer included in the Group’s revenue and gross profit, but recognised in the share of results of joint ventures for the Period. Due to this change, the Group’s revenue decreased to HK\$28.2 million (30.9.2019: HK\$110.8 million) whereas gross profit increased to HK\$3.4 million (30.9.2019: HK\$1.2 million). On the other hand, the fair values of properties held by the Group and its joint venture decreased and the results from the hotels operated by joint ventures of the Group deteriorated for the Period. Thus, decreases in fair values of the Group’s investment properties of HK\$61.1 million (30.9.2019: HK\$107.1 million) and share of net losses of the Group’s joint ventures of HK\$78.7 million (30.9.2019: HK\$125.6 million) were recorded.

In addition, a loss allowance of HK\$89.2 million (30.9.2019: HK\$232.8 million) for the expected credit loss (the “**ECL**”) was recognised for the Period in respect of the loan receivables (together with the outstanding interests accrued thereon) held by the Group, including the unsecured loan notes (the “**MG Loan Notes**”) issued by Master Glory Group Limited (“**Master Glory**”) which is in liquidation and its shares have remained suspended from trading on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since 2 July 2019. As a result, the Group recorded a reduction of net loss attributable to owners of the Company of HK\$218.6 million or 42% to HK\$302.0 million for the Period (30.9.2019: HK\$520.6 million).

The Board decided not to declare an interim dividend for the Period (2019: HK3 cents per share of the Company (the “**Share**”).

Property

Segment loss for the Period amounting to HK\$138.3 million was recorded, as compared to that of HK\$78.2 million for the last corresponding period.

Macau

The construction works of Grand Oasis, a luxury residential project developed by an associate of the Group in Cotai South, Macau, were delayed due to the border control measures restricting workers entering from mainland China in response to the COVID-19 pandemic. As the presold units are still under construction and have not yet been handed over to the end buyers during the Period, the contribution from this project to the Group for the Period substantially decreased to HK\$6.0 million (30.9.2019: HK\$30.7 million).

The associate is catching up on the construction progress with a target to handing over the presold units to the end buyers early next year. Presale of the remaining units is expected to be launched at appropriate times next year.

Hong Kong

Presale of units of Hyde Park, a project with the Urban Renewal Authority consisting of 76 residential flats and a commercial podium, was launched in September 2020. It received positive responses from the market and has secured revenue of HK\$205.3 million. The Group targeted to hand over the presold units to the end buyers in the first quarter of 2021.

The project at No. 23 Po Shan Road, Mid-levels is a deluxe residential project. Upon obtaining the relevant approval, the superstructure work of a 10-storey mid-rise building commenced in October 2020.

The project at Nos. 41, 43 and 45 Pau Chung Street, To Kwa Wan is a redevelopment project comprising a residential tower with retail shops at lower levels. Its foundation works have been completed and the superstructure work for a new composite building is expected to commence by the end of the year. Presale of units will be launched in due course.

The Group has applied to the Lands Tribunal for an order for compulsory sale of all the remaining undivided shares in Nos. 21, 23, 25, 27, 29 and 31 Sheung Heung Road, To Kwa Wan, in which the Group currently holds more than 85% of the undivided shares. The property is planned for residential redevelopment upon compliance with town planning issues.

PRC

Dabiao International Centre is a composite tower comprising a commercial podium, offices and a hotel, which is situated in Guangzhou City and conveniently connected to the Changgang Metro Station. Its leasing rate was inauspiciously affected by the COVID-19 pandemic during the Period. However, with the effective epidemic prevention and control measures implemented in the PRC, there was encouraging business recovery recently and it is expected that the property will continue to contribute reasonable rental income to the Group in the future.

Overseas

Vancouver, Canada

The residential redevelopment project at Alberni Street obtained the Prior to Letter outlining the requirements for local city council's approval to the grant of a development permit, and is in the course of obtaining the development and building permits from the local authority.

London, United Kingdom

The planning of redevelopment into a six-storey building, located at a prominent corner plot at Greycoat Place, is in progress and the demolition work is expected to be completed by the end of 2020. The building is proposed to be redeveloped into a mixed residential and commercial building.

Hotel and Leisure

For the Period, revenue from this segment substantially decreased to HK\$4.0 million (30.9.2019: HK\$63.6 million) as the Group no longer recorded revenue from Rosedale Hotel Kowloon in this segment. Segment loss reduced to HK\$35.1 million as compared with that of HK\$145.0 million for the last corresponding period (which was mainly attributable to the share of the decrease in the fair value of Rosedale Hotel Kowloon). The Westin Bayshore in Vancouver was temporarily closed during the Period due to the COVID-19 pandemic, and its increased loss was shared by the Group.

On 25 August 2020, the Group entered into a conditional sale and purchase agreement in relation to the disposal of the entire interests in Keen Step Corporation Limited and Le Petit Rosedale Hotel Limited, which respectively holds and operates Le Petit Rosedale Hotel Hong Kong consisting of 94 guest rooms, at a consideration of HK\$460.0 million. Completion of the transaction is expected to take place on 31 December 2020.

As certain conditions precedent to completion of the acquisition of 20% effective interests in THE 13 Hotel in Macau had not been fulfilled or waived and no further extension of the long stop date had been agreed upon its expiry, the relevant sale and purchase agreement automatically lapsed on the expiry of 31 August 2020.

Outlined below is a summary of the Group's interests in properties which are significant to the operations of the Group as at the date of this announcement:

Location	Usage	Group's interests (%)	Attributable gross floor area ⁽¹⁾ (sq. ft.)
Macau			
One Oasis, Sky Oasis and Grand Oasis situated at Estrada de Seac Pai Van	Residential/ Commercial	35.5	622,800
Sub-total			622,800
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	38,700
Premises situated at 30/F., Bank of America Tower, No. 12 Harcourt Road, Central	Office	100	13,800
250 Hennessy situated at No. 250 Hennessy Road, Wanchai	Office/Car parks	100	55,600
Redevelopment project situated at Nos. 21, 23, 25, 27, 29 and 31 Sheung Heung Road, To Kwa Wan	Residential ⁽²⁾	72	25,700
Redevelopment project situated at No. 23 Po Shan Road, Mid-levels	Residential	40	32,000
Le Petit Rosedale Hotel Hong Kong 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			270,800

Location	Usage	Group's interests (%)	Attributable gross floor area ⁽¹⁾ (sq. ft.)
PRC			
Land situated at the Yazhou Bay Science and Technology City, Sanya City, Hainan Province	Hotel	100	886,000
Portions of Dabiao International Centre situated at No. 362 Jiangnan Avenue South and No. 238 Changgang Zhong Road, Haizhu District, Guangzhou City	Commercial/Office/Hotel/Car parks	31.5	201,000
Sub-total			1,087,000
Overseas			
Townsend House situated at Greycoat Place, London, United Kingdom	Residential/Commercial ⁽³⁾	90.1	35,100
The Westin Bayshore situated at 1601 Bayshore Drive, Vancouver, British Columbia, Canada	Hotel/Conference/Ancillary uses	50	224,500
Redevelopment project situated at 1444 Alberni Street, 711 Broughton Street and 740 Nicola Street, Vancouver, British Columbia, Canada	Residential/Commercial	28	171,200
Sub-total			430,800
Total			2,411,400

Notes:

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

Securities Investments

Segment loss from securities investments for the Period was HK\$8.5 million (30.9.2019: HK\$5.9 million), representing the unrealised loss arising from the drop in market prices.

As at 30 September 2020, the Group had equity and fund investments in aggregate of HK\$300.7 million, 48% being unlisted securities denominated in Renminbi, 38% being unlisted securities and funds denominated in United States dollars, and the remaining 14% being listed securities denominated in Hong Kong dollars.

Finance

As at 30 September 2020, other loan receivables of the Group amounted to HK\$302.8 million (30.9.2019: HK\$453.7 million).

For the Period, the Group had an interest income of HK\$16.5 million (30.9.2019: HK\$36.9 million) and segment loss from finance of HK\$70.9 million (30.9.2019: HK\$194.3 million). The segment loss was attributable to loss allowance for the ECL of HK\$89.2 million mainly on the MG Loan Notes, together with the outstanding interest accrued thereon, held by the Group (collectively, the “**MG Balance**”). The MG Balance as at 30 September 2020 amounted to HK\$342.7 million, comprising the principal amount of HK\$320.0 million and the outstanding interest of HK\$22.7 million.

As disclosed in the annual report of the Company for the year ended 31 March 2020, an ECL provision of HK\$257.1 million was provided on the MG Balance. During the Period, the Group continued to monitor the situation and considered the following incidents as disclosed by Master Glory during the Period:

- (a) the shares of Master Glory remain suspended from trading on the Stock Exchange;
- (b) Master Glory still failed to publish its annual results for the financial years ended 31 March 2019 and 2020 and interim results for the six months ended 30 September 2019;
- (c) the business operations of Master Glory have been unfavorably affected by the COVID-19 pandemic; and
- (d) Master Glory was ordered to be wound up by the High Court of Hong Kong Special Administrative Region and liquidators were appointed.

Taking into account the above incidents and the global economic condition for the Period, the Company is of the view that there are no signs of improvement of Master Glory’s business, and resulting in a more reasonably pessimistic forward-looking view based on the additional negative facts and circumstances as at 30 September 2020 than 31 March 2020, the probability for the default by Master Glory with respect to the MG Balance has further increased and the recovery ratio has further decreased subsequent to the year ended 31 March 2020. Thus, in accordance with the accounting policies adopted by the Group, the loss rate assessed for the Period increased to 95% (the “**Internal Assessment**”), as compared to 75% adopted as at 31 March 2020, and the MG Balance fell under “Loss” and “Lifetime ECL – credit-impaired” was applied.

To assess the reasonableness of the Internal Assessment, the Group engaged an independent professional valuer, Norton Appraisals Holdings Limited (the “**Valuer**”), to perform an additional analysis for reassessing the ECL provision as at 30 September 2020 on the MG Balance in accordance with Hong Kong Financial Reporting Standard 9 (2014). The Valuer adopted its independently selected parameters which contained credit rating profile similar to Master Glory (the “**External Assessment**”). Taking into account Master Glory’s business change since 31 March 2020 and the unfavourable economic conditions, the Valuer revised certain assumptions, including recovery ratio (from 28.3% to 8.0%), in their assessment. The External Assessment indicated that the average loss rate was approximately 92%.

Since the results of the Internal Assessment and the External Assessment are similar, the Group considered that it is fair and reasonable to adopt the Internal Assessment to provide the ECL provision on the MG Balance. In this respect, additional loss allowance for the ECL of HK\$68.5 million was charged to the profit or loss for the Period such that the ECL provision on the MG Balance as at 30 September 2020 amounted to HK\$325.6 million. The Group continues to take necessary actions to recover the debt and will assess the ECL impact on the MG Balance in due course.

Paul Y. Engineering Group Limited

Completion of the Group’s acquisition of 45.8% interests in Paul Y. Engineering Group Limited from South Shore Holdings Limited (“**South Shore**”) is still pending fulfilment of certain conditions by South Shore, and is expected to take place by 31 March 2021.

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 2020, the Group had total bank borrowings (including bank borrowings in liabilities associated with assets classified as held for sale) of HK\$1,783.0 million and loan notes of HK\$1,463.7 million. After netting off bank balances and cash of HK\$342.9 million and comparing with the Group’s shareholders’ funds of HK\$3,785.5 million, the Group’s net gearing ratio as at 30 September 2020 was 0.77 (31.3.2020: 0.68). 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 2020, the Group had unused banking facilities of HK\$996.6 million which can be utilised to finance the construction of properties, the repurchase of the Guaranteed Notes (as defined below) and the working capital of the Group. During the Period, a total of HK\$104.7 million bank borrowings were drawn down to finance the redevelopment projects in Hong Kong, the repurchase of the Guaranteed Notes and the working capital of the Group. An aggregate amount of HK\$76.6 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\$1,348.1 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, joint ventures and other investments with cashflows 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 gain on exchange differences of HK\$65.8 million was credited as other comprehensive income, mainly arisen from translations of operations in Canada and the PRC due to the appreciation of Canadian dollars and Renminbi. The majority of the Group's cash and cash equivalents are denominated in Hong Kong dollars and Canadian dollars while the Group's other assets and liabilities are denominated in Hong Kong dollars, Renminbi, Macau Pataca, Pound Sterling, United States dollars and Canadian dollars. Though no hedging instruments have been engaged, the Group will closely monitor its foreign exchange risk exposure.

During the Period, the Group repurchased at a discount an aggregate principal amount of approximately US\$7.8 million of the 4.75% guaranteed notes (the "**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 further reduced to approximately US\$190.0 million as at 30 September 2020, regardless of certain repurchased Guaranteed Notes being cancelled after the Period. The Directors believed that the repurchase of the Guaranteed Notes benefited the Company and its shareholders (the "**Shareholders**") as a whole.

Pledge of Assets

As at 30 September 2020, the Group's general credit facilities granted by banks were secured by pledges of the Group's investment properties of HK\$692.0 million, property, plant and equipment of HK\$528.7 million, stock of properties of HK\$922.8 million, interest in an associate of HK\$1,080.0 million, assets classified as held for sale of HK\$338.1 million and debt investments of HK\$72.6 million.

Contingent Liabilities

At 30 September 2020, the Group provided corporate guarantees on a several basis with maximum liabilities of (i) HK\$540.7 million (31.3.2020: HK\$511.8 million), HK\$58.0 million (31.3.2020: HK\$58.0 million), HK\$294.4 million (31.3.2020: HK\$307.2 million) and HK\$227.0 million (31.3.2020: HK\$214.5 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, in proportion to the Group's interests, of HK\$521.3 million (31.3.2020: HK\$492.4 million), HK\$57.8 million (31.3.2020: HK\$57.8 million), HK\$294.4 million (31.3.2020: HK\$307.2 million) and HK\$139.3 million (31.3.2020: HK\$131.6 million); and (ii) HK\$565.7 million (31.3.2020: 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, in proportion to the Group's interests, of HK\$370.0 million (31.3.2020: HK\$366.1 million).

PROSPECTS

The global economy outlook is still challenging with the COVID-19 pandemic. However, we expect the situations will gradually be improving with the possibility of successful vaccines being manufactured and distributed as soon as the end of 2020, and the business operation will recover in the near future. The Group has been continuously reviewing its business model. In the meantime, the Group will vigilantly endeavour to sustain its businesses and carry out its mission. We will focus on the presale of the remaining blocks in Sky Oasis and Grand Oasis in Macau and the remaining units in Hyde Park and the other local redevelopment projects in Hong Kong to secure the revenue for the coming few years. In addition to stepping our businesses further to the PRC, Macau, Canada and the United Kingdom, we will keep on improving earnings and enhancing the Shareholders' value by working hard on the projects on hand and at the same time, be selective and cautious on replenishing the Group's portfolio when suitable opportunities arise.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

	Notes	Six months ended	
		30.9.2020 HK\$'000 (unaudited)	30.9.2019 HK\$'000 (unaudited)
Revenue	3	<u>28,189</u>	<u>110,809</u>
Hotel operation and management income		3,973	63,636
Property income		<u>7,696</u>	<u>10,264</u>
		11,669	73,900
Direct cost for hotel operation and management income and property income		<u>(8,250)</u>	<u>(72,667)</u>
Gross profit for hotel operation and management income and property income		3,419	1,233
Interest revenue from loan financing		16,520	36,909
Net fair value gain (loss) on financial instruments		7,677	(4,466)
Other income, gains and losses		23,921	33,774
Recognition of impairment losses under expected credit loss model, net		(89,234)	(232,817)
Gain on disposal of joint ventures		–	40,574
Decrease in fair value of investment properties		(61,065)	(107,063)
Administrative and other expenses		(101,074)	(119,655)
Finance costs	4	(55,723)	(66,984)
Share of results of associates		(100)	23,236
Share of results of joint ventures		<u>(78,666)</u>	<u>(125,585)</u>
Loss before taxation		(334,325)	(520,844)
Taxation		<u>31,703</u>	<u>–</u>
Loss for the period	5	<u>(302,622)</u>	<u>(520,844)</u>
Loss for the period attributable to:			
Owners of the Company		(302,019)	(520,562)
Non-controlling interests		<u>(603)</u>	<u>(282)</u>
		<u>(302,622)</u>	<u>(520,844)</u>
Loss per share	7		
– Basic (HK dollar)		<u>(0.32)</u>	<u>(0.54)</u>
– Diluted (HK dollar)		<u>(0.32)</u>	<u>(0.54)</u>

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

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

	Six months ended	
	30.9.2020	30.9.2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Loss for the period	<u>(302,622)</u>	<u>(520,844)</u>
Other comprehensive income (expense)		
<i>Item that will not be reclassified to profit or loss:</i>		
Loss on fair value changes of financial assets designated as at fair value through other comprehensive income	(5,325)	(25,324)
<i>Items that may be subsequently reclassified to profit or loss:</i>		
Reclassification adjustment of translation reserve to profit or loss upon disposal of joint ventures	–	(709)
Exchange differences arising on translation of foreign operations	65,841	(29,431)
Share of translation reserve of associates and joint ventures	<u>9,068</u>	<u>(18,325)</u>
Other comprehensive income (expense) for the period	<u>69,584</u>	<u>(73,789)</u>
Total comprehensive expense for the period	<u>(233,038)</u>	<u>(594,633)</u>
Total comprehensive expense for the period attributable to:		
Owners of the Company	(232,622)	(593,952)
Non-controlling interests	<u>(416)</u>	<u>(681)</u>
	<u>(233,038)</u>	<u>(594,633)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 SEPTEMBER 2020

	<i>Notes</i>	30.9.2020 <i>HK\$'000</i> (unaudited)	31.3.2020 <i>HK\$'000</i> (audited)
Non-current assets			
Property, plant and equipment		547,377	900,874
Investment properties		692,000	751,440
Equity and fund investments		183,467	174,346
Interests in joint ventures		591,709	622,431
Amounts due from joint ventures		560,010	500,779
Interests in associates		1,654,329	1,652,761
Amount due from an associate		40,686	32,686
Other loan receivables		71,588	67,728
Deposit paid for acquisition of an associate		159,000	159,000
Other non-current assets		115,423	153,551
		<u>4,615,589</u>	<u>5,015,596</u>
Current assets			
Inventories – food, beverages and general stores		–	815
Deposits paid for acquisition of leasehold land		348,892	336,348
Stock of properties		1,384,521	1,332,423
Other loan receivables		231,162	286,928
Debtors, deposits and prepayments	8	197,301	210,900
Equity and fund investments		117,271	114,356
Debt investments		72,586	80,145
Bank balances and cash		342,907	514,138
		<u>2,694,640</u>	<u>2,876,053</u>
Assets classified as held for sale	10	340,573	–
		<u>3,035,213</u>	<u>2,876,053</u>
Current liabilities			
Creditors, deposits and accrued charges	9	216,046	210,729
Amount due to a joint venture		11,173	11,635
Amount due to an associate		210,537	139,660
Tax payable		170,565	201,230
Lease liabilities		3,974	4,750
Bank borrowings		1,424,679	1,738,160
		<u>2,036,974</u>	<u>2,306,164</u>
Liabilities associated with assets classified as held for sale	10	299,045	–
		<u>2,336,019</u>	<u>2,306,164</u>

	30.9.2020 <i>HK\$'000</i> (unaudited)	31.3.2020 <i>HK\$'000</i> (audited)
Net current assets	<u>699,194</u>	<u>569,889</u>
Total assets less current liabilities	<u>5,314,783</u>	<u>5,585,485</u>
Non-current liabilities		
Loan notes	1,463,655	1,519,836
Lease liabilities	2,757	3,785
Bank borrowings	<u>60,674</u>	<u>–</u>
	<u>1,527,086</u>	<u>1,523,621</u>
	<u>3,787,697</u>	<u>4,061,864</u>
Capital and reserves		
Share capital	9,602	9,607
Reserves	<u>3,775,918</u>	<u>4,050,678</u>
Equity attributable to owners of the Company	<u>3,785,520</u>	<u>4,060,285</u>
Non-controlling interests	<u>2,177</u>	<u>1,579</u>
	<u>3,787,697</u>	<u>4,061,864</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The condensed consolidated financial statements should be read in conjunction with the annual audited financial statements for the year ended 31 March 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRS(s)**”).

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than the additional accounting policies resulting from the application of amendments to HKFRSs and application of certain accounting policies which became relevant to the Group, the accounting policies and methods of computation used in these condensed consolidated financial statements for the six months ended 30 September 2020 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2020.

Except for the application of the Amendments to HKAS 1 and HKAS 8 “Definition of Material” as described below, the application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current period have 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.

Impacts on application of Amendments to HKAS 1 and HKAS 8 Definition of Material

The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current period had no impact on the condensed consolidated financial statements. Changes in presentation and disclosures on the application of the amendments, if any, will be reflected on the consolidated financial statements for the year ending 31 March 2021.

Accounting policies newly applied by the Group

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Grants relating to compensation of expenses are deducted from the related expenses.

During the current interim period, the Group recognised government grants of HK\$3,534,000, which are COVID-19 related subsidies granted under the “Employment Support Scheme” of the Hong Kong government and offset against staff costs.

Contract liabilities

A contract liability is recognised when the amounts received from a customer exceed revenue recognised for a contract or when advance payment is received from a customer before a good or service is transferred. A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

Contract liabilities are recognised as revenue when the Group transfers the goods or services to the customers and therefore satisfies its performance obligations. Deposits received on sales of properties are regarded as contract liabilities and included under creditors, deposits and accrued charges of the condensed consolidated statement of financial position under current liabilities.

3. SEGMENT INFORMATION

The Group’s reportable and operating segments, based on internal information that is regularly reviewed by the executive Directors, the chief operating decision maker (the “CODM”), for the purposes of resource allocation and assessment of performance, are as follows:

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

Information regarding these segments is reported below:

For the six months ended 30 September 2020 (unaudited)

	Segment revenue <i>HK\$'000</i>	Operating (loss) profit <i>HK\$'000</i>	Share of results of associates <i>HK\$'000</i>	Share of results of joint ventures <i>HK\$'000</i>	Finance costs <i>HK\$'000</i>	Segment results: loss before taxation <i>HK\$'000</i>
Property	7,696	(110,888)	5,968	(22,152)	(11,269)	(138,341)
Hotel and leisure	3,973	10,678	(6,068)	(36,841)	(2,865)	(35,096)
Securities investments	–	(7,548)	–	–	(969)	(8,517)
Finance	16,520	(70,911)	–	–	–	(70,911)
SEGMENT TOTAL	28,189	(178,669)	(100)	(58,993)	(15,103)	(252,865)
Unallocated	–	(21,167)	–	(19,673)	(40,620)	(81,460)
GROUP TOTAL	28,189	(199,836)	(100)	(78,666)	(55,723)	(334,325)

For the six months ended 30 September 2019 (unaudited)

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

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

4. FINANCE COSTS

	Six months ended	
	30.9.2020	30.9.2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Effective interest on loan notes	40,427	41,399
Interest on bank borrowings	21,006	29,198
Interest on lease liabilities	168	1,474
	<u>61,601</u>	<u>72,071</u>
Total borrowing costs	61,601	72,071
Less: amounts capitalised in qualifying assets	(5,878)	(5,087)
	<u><u>55,723</u></u>	<u><u>66,984</u></u>

5. LOSS FOR THE PERIOD

	Six months ended	
	30.9.2020	30.9.2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	18,870	51,846
Cost of inventories recognised as an expense	–	3,945
Loss on disposal of property, plant and equipment	107	–
Gain on repurchase of loan notes	(1,834)	(1,706)
Bank interest income	(241)	(3,634)
Other interest income	(11,528)	(11,337)
	<u>18,870</u>	<u>51,846</u>

6. DISTRIBUTION

	Six months ended	
	30.9.2020	30.9.2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Dividends recognised as distribution during the period:		
Second interim dividend, paid for the year ended 31 March 2020 – HK5 cents (2019: HK12 cents) per Share	47,870	116,108
Dividends in form of:		
– Cash	45,499	115,424
– Scrip Shares	2,371	684
	<u>47,870</u>	<u>116,108</u>
Dividends declared in respect of the Period:		
Interim dividend declared for the Period – Nil (2019: HK3 cents per Share)	–	28,988
	<u>–</u>	<u>28,988</u>

The Board decided not to declare an interim dividend for the Period (2019: HK3 cents per Share).

7. LOSS PER SHARE

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

	Six months ended	
	30.9.2020	30.9.2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss:		
Loss for the period attributable to the owners of the Company for the purpose of basic and diluted loss per Share	<u>(302,019)</u>	<u>(520,562)</u>
Number of Shares:		
Weighted average number of Shares for the purpose of basic and diluted loss per Share	<u>957,926,971</u>	<u>969,114,384</u>

The effect of the exercise of the Company's share options was not taken into consideration for computing the diluted loss per Share for the six months ended 30 September 2020 and 2019 as the exercise price of those share options was higher than the average market price for Shares.

8. DEBTORS, DEPOSITS AND PREPAYMENTS

The Group's credit terms are negotiated at terms determined and agreed with its trade customers. The Group allows an average credit period of 60 days (31.3.2020: 60 days) to its trade customers. Trade debtors, aged 0 - 60 days, of HK\$81,000 as at 30 September 2020 have been classified as part of a disposal group held for sale.

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

	30.9.2020	31.3.2020
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Trade debtors aged:		
0 – 60 days	1,531	3,474
61 – 90 days	37	–
Over 90 days	<u>5</u>	<u>5</u>
	<u>1,573</u>	<u>3,479</u>

9. CREDITORS, DEPOSITS AND ACCRUED CHARGES

Trade creditors, aged 0 - 60 days, of HK\$115,000 as at 30 September 2020 have been classified as part of a disposal group held for sale.

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

	30.9.2020 HK\$'000 (unaudited)	31.3.2020 HK\$'000 (audited)
Trade creditors aged: 0 – 60 days	<u>–</u>	<u>1,287</u>

10. ASSETS CLASSIFIED AS HELD FOR SALE/LIABILITIES ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE

On 25 August 2020, Maxter Limited, an indirect wholly-owned subsidiary of the Company, entered into a conditional sale and purchase agreement with an independent third party in relation to the disposal of its entire interests in Keen Step Corporation Limited and Le Petit Rosedale Hotel Limited, which respectively holds and operates Le Petit Rosedale Hotel Hong Kong consisting of 94 guest rooms, at a consideration of HK\$460.0 million. Completion of the transaction is expected to take place on 31 December 2020.

The major classes of assets and liabilities of the business classified as held for sale are as follows:

	30.9.2020 HK\$'000 (unaudited)
Property, plant and equipment	338,070
Bank balances and cash	1,639
Debtors, deposits and prepayments	804
Inventories	<u>60</u>
Total assets classified as held for sale	<u><u>340,573</u></u>
Bank borrowings	297,633
Creditors, deposits and accrued charges	<u>1,412</u>
Total liabilities associated with assets classified as held for sale	<u><u>299,045</u></u>

OTHER INFORMATION

Number of Employees and Remuneration Policies

As at 30 September 2020, the total number of employees of the Group was 269 (31.3.2020: 266). Employees are remunerated according to their qualifications and experience, job nature and performance, and under the pay scales aligned with market conditions. Other benefits to employees include medical scheme, insurance coverage, share options and retirement schemes.

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Period.

Movement in Issued Shares

During the Period, the Company issued 2,783,406 new Shares pursuant to the scrip dividend scheme in relation to the second interim dividend for the year ended 31 March 2020 and cancelled a total of 3,263,000 Shares which were repurchased prior to the Period. As at 30 September 2020, there were 960,175,410 Shares in issue.

Compliance with Corporate Governance Code and Corporate Governance Report

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

Throughout the Period, the Company has complied with all the code provisions of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules and applied the principles contained therein.

Compliance with Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as its own code of conduct for Directors in their dealings in the securities of the Company. In response to specific enquiries made by the Company, all the Directors confirmed that they have complied with the required standards set out in the Model Code throughout the Period.

Review of Interim Results

The interims results for the Period are unaudited, but have been reviewed by the Company's auditor in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. Also, the audit committee of the Company has reviewed with the management and the Company's auditor the accounting principles and practices adopted by the Group and discussed auditing, financial reporting process and internal control matters including a review of the interim results for the Period.

Publication of Interim Results Announcement and Interim Report

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

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

Hong Kong, 27 November 2020

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

Executive Directors:

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

Independent Non-executive Directors:

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

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