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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, 2018**

	Six months ended	
	30.9.2018	30.9.2017
FINANCIAL HIGHLIGHTS		
<i>(All in Hong Kong dollar)</i>		
Revenue		
Per condensed consolidated statement of profit or loss	\$124 million	\$109 million
Property income and hotel revenue		
– share of associates and joint ventures	\$1,141 million	\$439 million
	\$1,265 million	\$548 million
Net profit	\$289 million	\$284 million
Basic earnings per share	31 cents	32 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 (collectively, the “**Group**”) for the six months ended 30th September, 2018, together with the comparative figures for the corresponding period in 2017, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2018

		Six months ended	
	<i>Notes</i>	30.9.2018 <i>HK\$'000</i> (unaudited)	30.9.2017 <i>HK\$'000</i> (unaudited)
Revenue	3	<u>123,544</u>	<u>108,782</u>
Hotel operation income		<u>76,727</u>	67,207
Property income		<u>8,265</u>	8,914
		84,992	76,121
Direct cost for hotel operation income and property income		<u>(32,625)</u>	<u>(28,934)</u>
Gross profit for hotel operation income and property income		52,367	47,187
Interest revenue from loan financing		38,552	32,200
Net loss on financial instruments		(94,480)	(25,933)
Other income, gains and losses		34,219	31,065
Reversal of impairment losses, net		10,599	–
Increase in fair value of investment properties		4,991	269,382
Administrative and other expenses		(155,156)	(129,335)
Finance costs	4	(60,964)	(55,696)
Share of results of associates		509,643	70,813
Share of results of joint ventures		<u>(50,267)</u>	<u>44,586</u>
Profit before taxation		289,504	284,269
Taxation		<u>(897)</u>	–
Profit for the period	5	<u>288,607</u>	<u>284,269</u>
Profit (loss) for the period attributable to:			
Owners of the Company		288,750	284,344
Non-controlling interests		<u>(143)</u>	<u>(75)</u>
		<u>288,607</u>	<u>284,269</u>
Earnings per share	7		
– Basic (HK dollar)		<u>0.31</u>	<u>0.32</u>
– Diluted (HK dollar)		<u>0.31</u>	<u>0.32</u>

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

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2018

	Six months ended	
	30.9.2018	30.9.2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Profit for the period	<u>288,607</u>	<u>284,269</u>
Other comprehensive (expense) income		
<i>Item that will not be reclassified to profit or loss:</i>		
Net loss on fair value changes of financial assets designated as at fair value through other comprehensive income	(8,609)	(135,002)
<i>Items that may be subsequently reclassified to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	(48,760)	98,394
Share of translation reserve of associates and joint ventures	<u>2,845</u>	<u>(9,219)</u>
Other comprehensive expense for the period	<u>(54,524)</u>	<u>(45,827)</u>
Total comprehensive income for the period	<u><u>234,083</u></u>	<u><u>238,442</u></u>
Total comprehensive income (expense) for the period attributable to:		
Owners of the Company	234,816	237,981
Non-controlling interests	(733)	461
	<u><u>234,083</u></u>	<u><u>238,442</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30TH SEPTEMBER, 2018

	<i>Notes</i>	30.9.2018 HK\$'000 (unaudited)	31.3.2018 <i>HK\$'000</i> (audited)
Non-current assets			
Property, plant and equipment		937,810	943,586
Investment properties		922,000	900,000
Equity investments		102,008	110,633
Interests in joint ventures		873,302	1,088,564
Amounts due from joint ventures		589,522	435,194
Interests in associates		2,312,136	1,806,774
Amounts due from associates		18,042	9,097
Other loan receivables		579,494	752,324
Deposit paid for acquisition of an associate		159,000	159,000
Other non-current assets		142,706	140,588
		6,636,020	6,345,760
Current assets			
Inventories – food, beverages and general stores		721	732
Deposits paid for acquisition of leasehold land		345,292	371,684
Stock of properties		885,226	799,273
Other loan receivables		249,091	150,000
Amounts due from joint ventures		156,000	274,155
Debtors, deposits and prepayments	8	197,213	155,713
Equity investments		187,246	277,745
Bank balances and cash		934,808	608,334
		2,955,597	2,637,636

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30TH SEPTEMBER, 2018

	<i>Notes</i>	30.9.2018 HK\$'000 (unaudited)	31.3.2018 <i>HK\$'000</i> (audited)
Current liabilities			
Creditors, deposits and accrued charges	9	136,071	117,430
Amount due to an associate		664,584	132,532
Tax payables		179,876	181,292
Obligations under finance leases			
– due within one year		126	65
Bank and other borrowings			
– due within one year		1,433,957	1,334,761
		2,414,614	1,766,080
Net current assets		540,983	871,556
Total assets less current liabilities		7,177,003	7,217,316
Non-current liabilities			
Loan notes – due after one year		1,538,800	1,538,209
Obligations under finance leases			
– due after one year		515	60
Bank and other borrowings			
– due after one year		–	142,139
		1,539,315	1,680,408
		5,637,688	5,536,908
Capital and reserves			
Share capital		9,720	9,377
Reserves		5,602,412	5,523,278
Equity attributable to owners of the Company		5,612,132	5,532,655
Non-controlling interests		25,556	4,253
		5,637,688	5,536,908

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2018*

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 audited financial statements for the year ended 31st March, 2018, 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, 2018 are the same with those followed in the preparation of the Group’s annual financial statements for the year ended 31st March, 2018 except that in the current interim period, the Group has applied, for the first time, certain new and amendments to HKFRSs issued by the HKICPA that are mandatorily effective for the current interim period.

Except for the application of HKFRS 9 (2014) “Financial Instruments” as described below, the application of the other new and amendments to HKFRSs has no material effect on the condensed consolidated financial statements.

Key changes in accounting policies resulting from application of HKFRS 9 (2014)

HKFRS 9 (2014) replaces the “incurred loss” impairment model in HKFRS 9 (2009) with a forward-looking “expected credit loss” (“**ECL**”) model. It is no longer necessary for a loss event to occur before an impairment loss is recognised under the new model. Under the new expected loss approach, the Group assesses on a forward-looking basis the ECL associated with its financial assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The new impairment model applies to financial assets which are subject to impairment under HKFRS 9 (2014) (including debtors and deposits, amounts due from joint ventures, amounts due from associates, other loan receivables and bank balances), loan commitments and financial guarantee contracts. The application of this new guidance represents a change in accounting policy. The Group was required to revise its impairment methodology under HKFRS 9 (2014) for these classes of assets.

Summary of effects arising from initial application of HKFRS 9 (2014)

Loss allowance for financial assets at amortised cost, mainly comprising debtors and deposits, amounts due from joint ventures, other loan receivables and other non-current assets, are measured on 12-month ECL basis and there had been no significant increase in credit risk since initial recognition, except for certain other loan receivables and certain debtors which are measured on lifetime ECL basis as those credit risks had increased significantly since initial recognition.

As at 1st April, 2018, additional credit loss allowance of HK\$121,473,000 has been recognised against retained profits. The additional loss allowance is charged against the respective assets.

	Other loan receivables <i>HK\$'000</i>	Other non- current assets <i>HK\$'000</i>	Debtors, deposits and prepayments <i>HK\$'000</i>	Amounts due from joint ventures <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 31st March, 2018					
– HKFRS 9 (2009) (audited)	–	–	23,923	11,022	34,945
Amounts remeasured through opening retained profits	115,133	1,902	4,438	–	121,473
	<u>115,133</u>	<u>1,902</u>	<u>28,361</u>	<u>11,022</u>	<u>156,418</u>
At 1st April, 2018 (restated)	<u>115,133</u>	<u>1,902</u>	<u>28,361</u>	<u>11,022</u>	<u>156,418</u>

The effect of the change in accounting policy described above on the condensed consolidated statement of the financial positions of the Group as at the beginning of the current interim period (i.e. 1st April, 2018) is as follows:

	At 31st March, 2018 <i>HK\$'000</i> (audited)	Effect of HKFRS 9 (2014) <i>HK\$'000</i>	At 1st April, 2018 <i>HK\$'000</i> (restated)
<u>ASSETS</u>			
Other loan receivables	902,324	(115,133)	787,191
Other non-current assets	140,588	(1,902)	138,686
Debtors, deposits and prepayments	155,713	(4,438)	151,275
	<u>1,198,625</u>	<u>(121,473)</u>	<u>1,077,152</u>
<u>EQUITY</u>			
Retained profits	2,297,994	(121,473)	2,176,521
	<u>2,297,994</u>	<u>(121,473)</u>	<u>2,176,521</u>

3. SEGMENT INFORMATION

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

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

Information regarding these segments is reported below:

For the six months ended 30th September, 2018

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

For the six months ended 30th September, 2017

	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	8,914	306,105	74,518	67,900	(8,473)	440,050
Hotel and leisure	67,207	(25,201)	(3,705)	9,006	(6,346)	(26,246)
Securities investments	461	(26,031)	-	-	-	(26,031)
Finance	32,200	32,184	-	-	-	32,184
SEGMENT TOTAL	108,782	287,057	70,813	76,906	(14,819)	419,957
Unallocated	-	(62,491)	-	(32,320)	(40,877)	(135,688)
GROUP TOTAL	108,782	224,566	70,813	44,586	(55,696)	284,269

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 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	
	30.9.2018	30.9.2017
	HK\$'000	HK\$'000
Effective interest on loan notes	41,233	40,871
Interest on bank and other borrowings	22,876	16,548
Interest on obligations under finance leases	17	6
	<u>64,126</u>	<u>57,425</u>
Total borrowing costs	64,126	57,425
Less: amounts capitalised in qualifying assets	(3,162)	(1,729)
	<u>60,964</u>	<u>55,696</u>

5. PROFIT FOR THE PERIOD

	Six months ended	
	30.9.2018	30.9.2017
	HK\$'000	HK\$'000
Profit for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	17,250	14,341
Cost of inventories recognised as an expense	4,207	4,106
Loss (gain) on disposal of property, plant and equipment	91	(84)
Bank interest income	(978)	(742)
Other interest income	(22,588)	(20,066)
	<u>(22,588)</u>	<u>(20,066)</u>

6. DISTRIBUTION

	Six months ended	
	30.9.2018	30.9.2017
	HK\$'000	HK\$'000
Dividends recognised as distribution during the period:		
Second interim dividend, paid for the year ended 31st March, 2018 – HK12 cents (final dividend, paid for the year ended 31st March, 2017: HK12 cents) per ordinary share	<u>112,526</u>	<u>106,477</u>
Dividends in form of:		
– Cash	35,464	31,022
– Scrip shares	<u>77,062</u>	<u>75,455</u>
	<u>112,526</u>	<u>106,477</u>
Dividends declared in respect of the current period:		
Interim dividend declared for the current period		
– HK10 cents (2017: HK10 cents) per ordinary share	<u>97,204</u>	<u>91,448</u>

Subsequent to the end of the current interim period, the Board has resolved to declare an interim dividend of HK10 cents per ordinary share of the Company (the “Share”) for the six months ended 30th September, 2018, which will be payable in cash with an option to elect scrip dividend of Shares, in respect of all or part of such dividend. The interim dividend has been calculated by reference to the 972,037,526 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	
	30.9.2018	30.9.2017
	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>288,750</u>	<u>284,344</u>
Number of Shares:		
Weighted average number of Shares for the purpose of basic earnings per Share	940,338,674	887,569,308
Effect of dilutive potential Shares:		
– Share options	<u>–</u>	<u>78,858</u>
Weighted average number of Shares for the purpose of diluted earnings per Share	<u>940,338,674</u>	<u>887,648,166</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, 2018: 60 days) to its trade customers. Included in debtors, deposits and prepayments are trade debtors of approximately HK\$2,950,000 (31st March, 2018: HK\$3,278,000).

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.

	30.9.2018	31.3.2018
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Trade debtors aged:		
0 – 60 days	2,883	3,206
61 – 90 days	–	5
Over 90 days	<u>67</u>	<u>67</u>
	<u>2,950</u>	<u>3,278</u>

9. CREDITORS, DEPOSITS AND ACCRUED CHARGES

Included in creditors, deposits and accrued charges are trade creditors of approximately HK\$2,010,000 (31st March, 2018: HK\$1,498,000).

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

	30.9.2018 <i>HK\$'000</i> (unaudited)	31.3.2018 <i>HK\$'000</i> (audited)
Trade creditors aged:		
0 – 60 days	2,009	1,468
61 – 90 days	1	30
	2,010	1,498

10. EVENT AFTER THE REPORTING PERIOD

On 23rd November, 2018, the Group has completed the acquisition of 42% interest in a joint venture, which is entitled to 75% interest in a sino-foreign cooperative joint venture (the “**PRC JV**”), at a consideration of HK\$280.0 million. The PRC JV is the owner of portions of a composite complex known as “Dabiao International Centre” situated in Haizhu District, Guangzhou City, the People’s Republic of China (the “**PRC**”).

INTERIM DIVIDEND

The Board has declared an interim dividend of HK10 cents per Share for the six months ended 30th September, 2018 (the “**Interim Dividend**”) (2017: HK10 cents per Share) to the shareholders of the Company (the “**Shareholders**”) whose names appear on the register of members of the Company (the “**Register of Members**”) as at the close of business on Thursday, 20th December, 2018. The Interim Dividend is expected to be paid to the Shareholders on or about Tuesday, 29th January, 2019.

The Board has also resolved that the Interim Dividend should 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 each Share to be issued under the scrip dividend scheme will be fixed by reference to the average of the closing prices of a Share for the three consecutive trading days ending Thursday, 20th December, 2018 less a discount of 5% of such average price or the par value per Share, whichever is higher. The scrip dividend scheme is conditional upon the Stock Exchange granting the listing of, and permission to deal in, the new Shares to be issued. A circular containing the details of the scrip dividend scheme and a form of election, together with the 2018-2019 interim report, will be published and sent to the Shareholders in due course.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining Shareholders’ entitlement to the Interim Dividend, the Register of Members will be closed from Wednesday, 19th December, 2018 to Thursday, 20th December, 2018, both days inclusive, during which period no transfer of Shares will be registered. The Shares will be traded ex-dividend as from Monday, 17th December, 2018. 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 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration by no later than 4:30 p.m. on Tuesday, 18th December, 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the six months ended 30th September, 2018, due to the improvement in the hotel business, the Group’s revenue and gross profit increased by 14% and 11% to HK\$123.5 million and HK\$52.4 million respectively. The handover of presold units in blocks 13 to 15 of Sky Oasis had been completed during the period under review and as a result there was a substantial increase in the aggregate profit contributions from associates and joint ventures from HK\$115.4 million for the last corresponding period to HK\$459.4 million. Since the local property price became moderate recently, the increase in fair value of investment properties was HK\$5.0 million only, which was much less than that of the same period last year of HK\$269.4 million. In addition, due to the downturn in the local stock market, the Group incurred a HK\$93.9 million (30.9.2017: HK\$26.4 million) unrealised loss on financial instruments. As a result, the Group’s profit for the period attributable to owners of the Company increased from HK\$284.3 million to HK\$288.8 million.

Property

The segment profit during the period under review amounted to HK\$433.2 million, as compared to HK\$440.1 million for the corresponding period last year.

Macau

The Group during the period under review recognised an encouraging share of profit of HK\$513.5 million (30.9.2017: HK\$74.6 million) from its associate, which is the developer of “One Oasis” and “Sky Oasis” in Cotai South, Macau Special Administrative Region of the PRC (“**Macau**”), upon the handover of the residential units and ancillary car parks of blocks 13 to 15, where the occupation permit was obtained in June 2018.

With the solid market reputation established from the delivery of high quality residential units to the end users in the previous years, the good performance continues for the presale of blocks 17 and 18 and revenue in excess of HK\$3.0 billion was secured. The presale of the remaining blocks 16, 19 and 20 will commence at opportune time.

Hong Kong

The renovation works of Cheuk Nang Plaza (to be renamed as “250 Hennessy” instead of “ITC Building”), which is a 31-storey commercial building with 25 car parks situated at the heart of Wanchai district along Hennessy Road, are in good progress and are expected to be finished before the end of this year. Currently certain floors are occupied by the Group for self-use while the remaining floors are for long and short term leasing purpose.

The foundation works for No. 23 Po Shan Road, Mid-levels have been progressing as scheduled. The construction works for the superstructure of a deluxe residential mid-rise building are expected to start early next year.

The superstructure works of the new building at Nos. 205-211A Hai Tan Street are currently up to 12th floor and completion is expected by the end of 2019. This is an URA project mainly consisting of residential flats with a few shops. The foundation works for Nos. 41, 43 and 45 Pau Chung Street are in progress and completion of the new composite building is expected by mid 2020. This is a redevelopment project comprising a residential tower with retail shops at lower levels. Presale of these two projects is planned to be launched in early 2019.

PRC

In November 2018, the Group acquired an effective 31.5% interest in a joint venture which owns portions of Dabiao International Centre situated at Haizhu District, Guangzhou City with a total floor area of approximately 60,000 sq. m.. It is a composite tower, comprising of a commercial podium, offices and hotel, which is conveniently connected to the Changgang Metro Station. The property currently offers fair rental contribution to the Group and upgrade of the facilities may be intended to increase its resale value.

Overseas

The approval of the rezoning application of the residential redevelopment project at Alberni Street in downtown Vancouver was obtained in September 2018. The demolition work is expected to commence in next year and it is planned that two residential towers with a total floor area of 648,000 sq. ft. will be built upon completion.

The four-storey office building located at a prominent corner plot at Greycoat Place in London contributed fair rental income to the Group. The preliminary works for the proposed redevelopment into mixed residential and commercial towers were progressing well.

An associate, in which the Group has 15% interest, entered into a sale and purchase agreement in December 2017 for the acquisition of properties located in the City of London. Such agreement has lapsed as certain conditions thereon have not been fulfilled upon its long stop date.

Hotel and Leisure

Revenue from this segment increased to HK\$76.7 million (30.9.2017: HK\$67.2 million), representing the contribution from Rosedale Hotel Kowloon and Le Petit Rosedale Hotel. The segment profit amounted to HK\$23.3 million (30.9.2017: segment loss of HK\$26.2 million), which mainly included the share of the increase in the fair value of Rosedale Hotel Kowloon. Consistent with the market trend in Hong Kong, there were improvements in both the occupancy and average room rate in these hotels during the period under review. The Westin Bayshore in Vancouver, in which the Group has 50% joint venture interest, contributed a stable return to the Group.

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

Location	Usage	Group's interests (%)	Attributable gross floor area (sq. ft.)
Macau			
One Oasis and Sky Oasis situated at Estrada de Seac Pai Van	Residential/Commercial	35.5	652,000
Sub-total			652,000
Hong Kong			
Redevelopment project situated at Nos. 41, 43 and 45 Pau Chung Street, To Kwa Wan	Residential/Commercial	100	30,000
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, No. 12 Harcourt Road, Central	Office	100	13,880

Location	Usage	Group's interests (%)	Attributable gross floor area (sq. ft.)
Cheuk Nang Plaza situated at Nos. 244, 246, 248 and 250 Hennessy Road, Wanchai	Office/Car Parks	100	55,600
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			244,480
PRC			
Land situated at the Cyber Park, 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	31.5	200,000
Sub-total			1,086,000
Overseas			
Townsend House situated at Greycoat Place, London, United Kingdom	Commercial	90.1	23,900
The Westin Bayshore situated at 1601 Bayshore Drive, Vancouver, BC, Canada	Hospitality/Conference/ Ancillary Uses	50	221,000
Redevelopment project situated at 1444 Alberni Street, 711 Broughton Street and 740 Nicola Street, Vancouver, BC, Canada	Residential/Commercial	28	181,000
Sub-total			425,900
Total			2,408,380

Securities Investments

During the period, segmental loss from securities investments was HK\$95.1 million (30.9.2017: HK\$26.0 million), mainly representing the unrealised loss due to the drop in market price.

Due to the share price fluctuation of South Shore Holdings Limited (“**South Shore**”), there was HK\$5.3 million (30.9.2017: HK\$133.6 million) net loss on fair value changes of equity investments charged as other comprehensive expense during the period under review.

At the end of the reporting period, the Group had equity investments totaling HK\$289.3 million, mainly comprising securities listed in Hong Kong.

Finance

The Group had interest income of HK\$38.6 million (30.9.2017: HK\$32.2 million) during the period under review. At the end of the reporting period, other loan receivables of the Group amounted to HK\$828.6 million.

Paul Y. Engineering Group Limited

The completion of the Group’s acquisition of a 45.8% interest in Paul Y. Engineering Group Limited from South Shore is pending fulfillment of certain conditions by South Shore.

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 30th September, 2018, the Group had total bank borrowings of HK\$1,434.0 million and loan notes of HK\$1,538.8 million. After netting off bank balances and cash of HK\$934.8 million and comparing with the Group’s shareholders’ funds of HK\$5,612.1 million, the Group’s net gearing ratio at 30th September, 2018 was 0.36 (31.3.2018: 0.44). 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 30th September, 2018, the Group had unused banking facilities of HK\$199.9 million which can be utilised to finance the construction of properties and the working capital of the Group. During the six months ended 30th September, 2018, a total of HK\$653.0 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\$338.6 million of the Group’s borrowings will be due for repayment in the coming year in accordance with the repayment schedule while another HK\$1,095.4 million was classified as current liabilities since the lenders have rights to demand immediate repayment. The Group will continue to closely monitor its liquidity and working capital requirement to ensure appropriate financing arrangements are made when necessary.

For overseas subsidiaries, associated companies and other investments which cashflow are denominated in foreign currencies, the Group endeavours to establish a natural hedge for debt financing with an appropriate level of borrowings in those same currencies. In this respect, the borrowings of the Group and its associates, to which the Group has granted guarantees are denominated in Hong Kong dollars, United States dollars, Canadian dollars and Sterling pounds. During the period, an unrealised loss on exchange differences of HK\$48.8 million was charged as other comprehensive expense, which has arisen mainly from translations of operations in the PRC due to the depreciation of Renminbi. The majority of the Group's cash and cash equivalent are denominated in Hong Kong dollars while the other assets and liabilities of the Group are denominated in Hong Kong dollars, Renminbi, Macau Pataca, Sterling pounds, United States dollars and Canadian dollars. Though no hedging instruments have been engaged, the Group will closely monitor its foreign exchange risk exposure.

PROSPECTS

The US-China trade war has casted uncertainties over the world economy, with the speculation on the US interest rate hike and the impacts of Brexit continue to shadow the sentiment of the market. Decrease in property transactions has been noticed in cities including Hong Kong and Vancouver. On the other hand, the recent opening of the Hong Kong-Zhuhai-Macao Bridge and the High Speed Rail (Hong Kong Section) is expected to boost the economy in the Bay Area. The Group remains confident in carrying out its mission and dealing with challenges ahead. We will focus on the presale of the remaining blocks in Sky Oasis and the redevelopment projects in Hai Tan Street and Pau Chung Street to secure the revenue for the coming few years. In addition to stepping our businesses further to 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.

PLEDGE OF ASSETS

As at 30th September, 2018, the Group's general credit facilities granted by banks were secured by pledges of the Group's investment properties of HK\$922.0 million, stock of properties of HK\$493.2 million and property, plant and equipment of HK\$924.6 million.

CONTINGENT LIABILITIES

At 30th September, 2018, the Group provided corporate guarantees on a several basis to the extent of (i) HK\$91.0 million (31.3.2018: HK\$91.0 million), HK\$376.0 million (31.3.2018: HK\$377.2 million), HK\$320.0 million (31.3.2018: Nil) and HK\$237.4 million (31.3.2018: HK\$238.1 million) in respect of the banking facilities granted to four joint ventures (which are owned as to 50%, 50%, 40% and 28% equity interests by the Group respectively) with the total outstanding amounts of HK\$86.5 million (31.3.2018: HK\$91.0 million), HK\$363.3 million (31.3.2018: HK\$364.4 million), HK\$320.0 million (31.3.2018: Nil) and HK\$144.1 million (31.3.2018: HK\$144.6 million); and (ii) HK\$565.7 million (31.3.2018: HK\$565.7 million) in respect of the banking facilities granted to an associate (which is owned as to 40% equity interests by the Group) with the total outstanding amount of HK\$344.9 million (31.3.2018: HK\$337.6 million).

NUMBER OF EMPLOYEES AND REMUNERATION POLICIES

As at 30th September, 2018, the total number of employees of the Group was 308 (31.3.2018: 329). 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 purchased, sold or redeemed any of the Company's listed securities during the six months ended 30th September, 2018.

MOVEMENT IN ISSUED SHARES

During the six months ended 30th September, 2018, the Company issued a total of 34,324,792 new Shares pursuant to the scrip dividend scheme in relation to the second interim dividend for the year ended 31st March, 2018. As at 30th September, 2018, there were 972,037,526 Shares in issue.

REVIEW OF INTERIM RESULTS

The interim results for the six months ended 30th September, 2018 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 HKICPA. 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 six months ended 30th September, 2018.

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 six months ended 30th September, 2018, 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 continued to adopt 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 six months ended 30th September, 2018.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on both 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, 2018 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.

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

Hong Kong, 30th November, 2018

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.