

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 2021

FINANCIAL HIGHLIGHTS

(All in Hong Kong dollar)

	Six months ended	
	30.9.2021	30.9.2020
Revenue		
Per condensed consolidated statement of profit or loss	\$274 million	\$28 million
Property income and hotel revenue		
– share of associates and joint ventures	\$1,735 million	\$98 million
– by way of partial disposal of interests in an associate	\$274 million	–
	<u>\$2,283 million</u>	<u>\$126 million</u>
Net profit (loss)	<u>\$559 million</u>	<u>\$(303) million</u>
Basic earnings (loss) per share	<u>58 cents</u>	<u>(32) cents</u>
Interim dividend per share	<u>10 cents</u>	<u>–</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 2021 (the “**Period**”).

BUSINESS REVIEW

The Group continued facing with challenging business environment under the threat of COVID-19 pandemic. In response to such market situation, the Group has been continuously reviewing its business model and adjusting its agility, and has received a promising return. With the local housing demand remaining stable under the combination of stringent regulations on land development and low interest rates environment, the Group continued receiving positive responses from the sales of units of Hyde Park which enhanced the Group’s revenue for the Period. The Group’s revenue for the Period substantially increased by 873.2% to HK\$274.3 million (30.9.2020: HK\$28.2 million) and gross profit increased to HK\$22.2 million (30.9.2020: HK\$3.4 million). In addition, the Group shared the net profits of the Group’s associates which substantially increased to HK\$741.1 million (30.9.2020: share of net losses of HK\$0.1 million).

However, a significant loss allowance of HK\$159 million for expected credit loss (the “**ECL**”) was recognised on the deposits in aggregate of HK\$159 million (the “**Deposits**”) paid for the acquisition of 45.76% interests in Paul Y. Engineering Group Limited (“**PYE**”).

As a result of the above factors, the Group recorded a marked turnaround to a net profit attributable to owners of the Company of HK\$558.8 million for the Period (30.9.2020: a net loss of HK\$302.0 million).

The Board has declared an interim dividend (the “**Interim Dividend**”) of HK10 cents per share of the Company (the “**Share**”) for the Period (2020: nil). The Interim Dividend will be payable in cash.

Property

Segment profit for the Period of HK\$832.0 million was recorded, as compared to a loss of HK\$138.3 million for the last corresponding period.

Macau

Following the issuance of the occupation permit, the pre-sold units of a luxury residential project in Cotai South, Macau developed by an associate of the Group were gradually handed over to the end buyers and the corresponding sales were recognised during the Period. The contribution from this project to the Group for the Period substantially increased to HK\$756.3 million (30.9.2020: HK\$6.0 million).

Hong Kong

Hyde Park, a project with the Urban Renewal Authority, consists of 76 residential flats and a commercial podium of which a total of 74 flats were sold so far. During the Period, 34 flats were handed over to end buyers and accordingly, revenue of HK\$256.0 million was contributed to the Group for the Period.

The Group completed the acquisition of all units of Nos. 21, 23, 25, 27, 29 and 31 Sheung Heung Road, To Kwa Wan and the consolidation of the undivided shares. The property is planned for residential redevelopment upon compliance with town planning issues.

The project at No. 23 Po Shan Road, Mid-levels is a deluxe residential project for sale. Its superstructure work of a 10-storey mid-rise building, which commenced in October 2020, is in progress. During the Period, the Group disposed of 20% effective interests in this project and the proceeds have been utilised for repayment of the Guaranteed Notes (as defined below) which were due after the end of the Period.

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. Subsequent to the end of the Period, the Group has disposed of this project at an aggregate consideration of HK\$318.3 million, which secured a profit of approximately HK\$80 million and enhanced the cash position of the Group.

People's Republic of China ("PRC")

Dabiao International Centre is a composite tower comprising a commercial podium, offices and a hotel, situated in Guangzhou City and conveniently connected to the Changgang Metro Station. During the Period, the Group increased its effective interests in Dabiao International Centre from 31.5% to 45% by acquiring a further of 13.5% at the current market price under the prevailing relative low-side market condition with a view to realising the value appreciation upon sales when the market becomes fully recovered.

The occupancy rate of Dabiao International Centre remained stable over 90% during the Period and it is expected that the property will continue to contribute reasonable rental income to the Group in the future.

Overseas

Vancouver, Canada

The property market in Vancouver was strong with sharp price increase during the Period. The residential redevelopment project at Alberni Street is in the course of obtaining the development and building permits from the local authority.

London, United Kingdom

The project at Greycoat Place is proposed to be redeveloped into a mixed residential and commercial tower. In May 2021, the Group successfully obtained the revised approval for redeveloping the site into a seven-storey building. With such approval, the gross floor area increased from 39,000 sq. ft. to 43,200 sq. ft.. The demolition works of the project were completed, and the main contract works are in progress and expected to be completed in 2022.

Hotel and Leisure

For the Period, the revenue from this segment was solely derived from the hotel management fee received by the Group and amounted to HK\$0.4 million, representing a substantial decrease from that of HK\$4.0 million for the last corresponding period as the Group no longer recorded revenue from Le Petit Rosedale Hotel Hong Kong after its disposal on 31 December 2020.

The hotel and leisure businesses have been continuously affected by the COVID-19 pandemic. Therefore, segment loss of HK\$54.9 million (30.9.2020: HK\$35.1 million) was recorded for the Period.

During the Period, the Group acquired additional 15% effective interests in Renaissance Shanghai Caohejing Hotel at the current market price under the relatively sluggish market condition with a view to capturing the potential appreciation in its capital value. After the acquisition, the Group's effective interests in Renaissance Shanghai Caohejing Hotel increased from 9.5% to 24.5%.

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	412,300
Sub-total			412,300
Hong Kong			
Hyde Park situated at No. 205 Hai Tan Street, Sham Shui Po	Residential/ Commercial	100	6,600
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	29,000
Redevelopment project situated at No. 23 Po Shan Road, Mid-levels	Residential	20	16,000
Rosedale Hotel Kowloon situated at No. 86 Tai Kok Tsui Road, Tai Kok Tsui	Hotel	40	44,000
Sub-total			165,000

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	45	285,600
Renaissance Shanghai Caohejing Hotel situated at No. 397 Tianlin Road, Caohejing Hi-Tech Park, Xuhui District, Shanghai	Hotel	24.5	170,000
Sub-total			1,341,600
Overseas			
Townsend House situated at Greycoat Place, London, United Kingdom	Residential/ Commercial	90.1	39,000
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			434,700
Total			2,353,600

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 compliance with town planning issues.

Securities Investments

Segment loss from securities investments for the Period reduced to HK\$2.3 million (30.9.2020: HK\$8.5 million), representing an unrealised loss arising from the drop in market prices.

As at 30 September 2021, the Group had equity and fund investments in aggregate of HK\$142.7 million, 76% being unlisted securities and funds denominated in United States dollars and 24% being listed securities denominated in Hong Kong dollars.

Finance

As at 30 September 2021, other loan receivables of the Group amounted to HK\$184.3 million (31.3.2021: HK\$277.3 million).

For the Period, the Group had an interest income of HK\$8.5 million (30.9.2020: HK\$16.5 million) and segment profit from finance of HK\$39.9 million (30.9.2020: loss of HK\$70.9 million), which was attributable to the reversal of loss allowance for the ECL of HK\$31.0 million on loan receivables (together with the outstanding interest accrued thereon) held by the Group. During the Period, certain borrowers partially settled the principal of their loans together with the accrued interest with an aggregate sum of HK\$141.6 million, and hence, in accordance with the accounting policies adopted by the Group, the ECL provision of HK\$31.0 million recognised for last financial year has been reversed.

Deposits Paid for the Acquisition of PYE

As disclosed in the announcement of the Company dated 28 June 2021 and the annual report of the Company for the year ended 31 March 2021, the Group rescinded the agreement for the acquisition of 45.76% interests in PYE and claimed against the vendor and South Shore Holdings Limited (In Provisional Liquidation) (“**South Shore**”) (being the guarantor of the vendor) for the refund of the Deposits paid.

During the Period, the Group monitored the situation and considered the following incidents as disclosed by South Shore from 1 April 2021 to 30 September 2021:

- (i) there was a change in the beneficial ownership in PYE due to actions taken by a creditor of South Shore;
- (ii) South Shore was ordered to be wound up by the Supreme Court of Bermuda in accordance with section 161 of the Company Act 1981 on 23 July 2021 and provisional liquidators were appointed;

- (iii) Hotel Nova Concórdia, Limitada (English name: New Concordia Hotel Limited, Chinese name: 新聯生酒店有限公司), which is an indirect wholly-owned subsidiary of South Shore and the owner of THE 13 Hotel in Macau (being the sole significant asset of South Shore and its subsidiaries), had itself applied to the court of Macau for voluntary liquidation; and
- (iv) the shares of South Shore have been suspended from trading on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since 2 July 2021.

After considering the above incidents and the global economic condition in the nearest future, the Company is of the view that there are no signs of improvement in the businesses of South Shore, which resulted in a more reasonably pessimistic forward-looking view based on the negative facts and circumstances as at 30 September 2021. Thus, in accordance with the accounting policies adopted by the Group, the loss rate assessed on the Deposits for the Period is 100% (the “**Internal Assessment**”) and a loss of HK\$159 million was provided for the Period.

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 on the Deposits as at 30 September 2021 in accordance with Hong Kong Financial Reporting Standard 9 (2014). The Valuer adopted its independently selected parameters which contained credit rating profile similar to South Shore (the “**External Assessment**”). Taking into account South Shore’s business situation and the unfavourable economic conditions, the Valuer determined its assumptions, including probability of default of 100% and recovery ratio of 0%, in its assessment. The External Assessment indicated that the average loss rate was approximately 100%.

Since the results of the Internal Assessment and the External Assessment were the same, the Group considered that it was fair and reasonable to make a loss of HK\$159 million on the Deposits for the Period. The Group continues to take necessary actions to recover the debt and will assess the ECL impact on the Deposits in due course.

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 2021, the Group had total bank borrowings of HK\$1,608.0 million and loan notes of HK\$1,306.8 million. After netting off bank balances and cash of HK\$1,470.1 million and comparing with the shareholders’ funds of the Group of HK\$4,047.4 million, the Group’s net gearing ratio as at 30 September 2021 reduced to 0.36 (31.3.2021: 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 2021, the Group had unused banking facilities of HK\$268.2 million which could be utilised to finance the construction of properties and the working capital of the Group. During the Period, bank borrowings in total of HK\$637.3 million 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\$81.1 million of the Group's borrowings will be due for repayment in the coming twelve months in accordance with the repayment schedule while another sum of HK\$965.0 million was classified as current liability since the lenders have the rights to demand immediate repayment. The Group will continue to closely monitor its liquidity and working capital requirements to ensure appropriate financing arrangements are made when necessary.

For overseas subsidiaries, associates, joint ventures and other investments with cash flows 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 associates, to which the Group has provided guarantees, are denominated in Hong Kong dollars, United States dollars, Canadian dollars and Pound Sterling. During the Period, an unrealised gain on exchange differences of HK\$2.3 million was credited as other comprehensive income, mainly arising from translations of operations in Canada and the PRC due to the depreciation of Canadian dollars and appreciation of Renminbi. A 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 US\$2.8 million (equivalent to approximately HK\$21.7 million) of the 4.75% guaranteed notes due 2021 issued by Treasure Generator Limited (a wholly-owned subsidiary of the Company) and guaranteed by the Company (the "**Guaranteed Notes**"). As a result, the outstanding principal amount of the Guaranteed Notes further reduced to approximately US\$167.9 million (equivalent to approximately HK\$1,307.1 million) as at 30 September 2021. Subsequent to the end of the Period, the Group fully repaid such outstanding principal amount together with the accrued interest upon its maturity on 14 October 2021.

Pledge of Assets

As at 30 September 2021, the Group's general credit facilities granted by banks were secured by pledges of the Group's investment properties of HK\$677.0 million, property, plant and equipment of HK\$509.7 million, stock of properties of HK\$637.4 million, interests in an associate of HK\$1,546.4 million and debt investments of HK\$0.6 million.

Contingent Liabilities

As at 30 September 2021, the Group provided corporate guarantees on a several basis with maximum liabilities of (i) HK\$569.1 million (31.3.2021: HK\$573.8 million), HK\$41.9 million (31.3.2021: HK\$58.0 million), HK\$281.6 million (31.3.2021: HK\$294.4 million) and HK\$239.4 million (31.3.2021: HK\$241.4 million) in respect of the banking facilities granted to four joint ventures (which are owned as to 50%, 50%, 40% and 28% by the Group respectively) with the outstanding amounts attributable to the Group's interests of HK\$549.6 million (31.3.2021: HK\$554.3 million), HK\$41.9 million (31.3.2021: HK\$57.8 million), HK\$281.6 million (31.3.2021: HK\$294.4 million) and HK\$146.9 million (31.3.2021: HK\$148.2 million); and (ii) HK\$282.9 million (31.3.2021: HK\$565.7 million) in respect of the banking facilities granted to an associate (which was owned as to 20% as at 30 September 2021 (31.3.2021: 40%) by the Group) with the outstanding amount attributable to the Group's interests of HK\$203.4 million (31.3.2021: HK\$384.6 million).

PROSPECTS

With the increasing vaccination rates in various places around the world, it is anticipated that the impact of the COVID-19 pandemic on the global economy will be further diminishing. However, we expect that the rapid spread of Delta variant and the threat of new wave of infection continue to pose risks and uncertainties on the continual recovery of global economy ahead. The Group has been continuously reviewing its business model and endeavoring to improve the efficiency and effectiveness of its business operations. We will focus on the sale of the remaining blocks in Sky Oasis and Grand Oasis in Macau and other local redevelopment projects to secure the revenue for the coming few years. In addition to stepping our existing businesses further to the PRC, Macau, Canada and the United Kingdom, we will keep on improving earnings and enhancing the value of the shareholders of the Company (the "**Shareholders**") 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 2021

	Notes	Six months ended	
		30.9.2021 HK\$'000 (unaudited)	30.9.2020 HK\$'000 (unaudited)
Revenue	3	<u>274,341</u>	<u>28,189</u>
Hotel operation and management income		356	3,973
Property income		<u>265,446</u>	<u>7,696</u>
		265,802	11,669
Direct cost for hotel operation and management income and property income		<u>(243,586)</u>	<u>(8,250)</u>
Gross profit for hotel operation and management income and property income		22,216	3,419
Interest revenue from loan financing		8,539	16,520
Net fair value (loss) gain on financial instruments		(1,803)	7,677
Other income, gains and losses		(8,478)	23,921
Loss recognised in respect of deposits paid for acquisition of an associate	8	(159,000)	–
Reversal (recognition) of impairment losses under expected credit loss model, net		30,988	(89,234)
Gain on partial disposal of interests in an associate		70,000	–
Decrease in fair value of investment properties		–	(61,065)
Selling and marketing expenses		(1,383)	–
Administrative and other expenses		(101,473)	(101,074)
Finance costs	4	(44,539)	(55,723)
Share of results of associates		741,144	(100)
Share of results of joint ventures		<u>4,073</u>	<u>(78,666)</u>
Profit (loss) before taxation		560,284	(334,325)
Taxation		<u>(1,277)</u>	<u>31,703</u>
Profit (loss) for the period	5	<u>559,007</u>	<u>(302,622)</u>
Profit (loss) for the period attributable to:			
Owners of the Company		558,786	(302,019)
Non-controlling interests		<u>221</u>	<u>(603)</u>
		<u>559,007</u>	<u>(302,622)</u>
Earnings (loss) per share	7		
– Basic (HK dollar)		<u>0.58</u>	<u>(0.32)</u>
– Diluted (HK dollar)		<u>0.58</u>	<u>(0.32)</u>

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME**
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021

	Six months ended	
	30.9.2021	30.9.2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Profit (loss) for the period	<u>559,007</u>	<u>(302,622)</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	(7,580)	(5,325)
<i>Items that may be subsequently reclassified to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	2,336	65,841
Share of translation reserve of associates and joint ventures	<u>6,507</u>	<u>9,068</u>
Other comprehensive income for the period	<u>1,263</u>	<u>69,584</u>
Total comprehensive income (expense) for the period	<u><u>560,270</u></u>	<u><u>(233,038)</u></u>
Total comprehensive income (expense) for the period attributable to:		
Owners of the Company	556,192	(232,622)
Non-controlling interests	<u>4,078</u>	<u>(416)</u>
	<u><u>560,270</u></u>	<u><u>(233,038)</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 SEPTEMBER 2021

	<i>Notes</i>	30.9.2021 HK\$'000 (unaudited)	31.3.2021 <i>HK\$'000</i> (audited)
Non-current assets			
Property, plant and equipment		529,103	542,866
Investment properties		677,000	677,000
Equity and fund investments		33,282	99,037
Interests in joint ventures		457,982	547,038
Amounts due from joint ventures		930,397	434,075
Interests in associates		2,105,933	1,362,231
Amount due from an associate		–	44,686
Other loan receivables		–	70,280
Deposits paid for acquisition of an associate	8	–	159,000
Other non-current assets		111,987	112,512
		<u>4,845,684</u>	<u>4,048,725</u>
Current assets			
Deposits paid for acquisition of leasehold land		369,038	362,959
Stock of properties		1,218,997	1,318,503
Other loan receivables		184,327	207,063
Debtors, deposits and prepayments	9	163,539	232,566
Equity and fund investments		109,434	124,314
Debt investments		573	6,995
Bank balances and cash		1,470,060	298,322
		<u>3,515,968</u>	<u>2,550,722</u>
Current liabilities			
Creditors, deposits and accrued charges		253,736	223,115
Amount due to a joint venture		11,173	11,173
Amount due to an associate		716,472	7,045
Tax payables		176,811	175,107
Loan notes	10	1,306,832	1,322,933
Lease liabilities		4,806	5,656
Bank borrowings		1,046,052	1,159,854
		<u>3,515,882</u>	<u>2,904,883</u>
Net current assets (liabilities)		<u>86</u>	<u>(354,161)</u>
Total assets less current liabilities		<u>4,845,770</u>	<u>3,694,564</u>

	30.9.2021 <i>HK\$'000</i> (unaudited)	31.3.2021 <i>HK\$'000</i> (audited)
Non-current liabilities		
Lease liabilities	3,260	5,241
Bank borrowings	<u>561,996</u>	<u>196,872</u>
	<u>565,256</u>	<u>202,113</u>
	<u>4,280,514</u>	<u>3,492,451</u>
Capital and reserves		
Share capital	9,602	9,602
Reserves	<u>4,037,755</u>	<u>3,481,544</u>
Equity attributable to owners of the Company	<u>4,047,357</u>	<u>3,491,146</u>
Non-controlling interests	<u>233,157</u>	<u>1,305</u>
	<u>4,280,514</u>	<u>3,492,451</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**Listing Rules**”). The condensed consolidated financial statements should be read in conjunction with the annual audited financial statements for the year ended 31 March 2021, 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, as appropriate.

Other than additional accounting policies resulting from the application of amendments to HKFRSs, the accounting policies and methods of computation used in these condensed consolidated financial statements for the six months ended 30 September 2021 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2021.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 April 2021 for the preparation of the Group’s condensed consolidated financial statements:

Amendment to HKFRS 16	COVID-19 – Related Rent Concessions
Amendment to HKFRS 16	COVID-19 – Related Rent Concessions beyond 30 June 2021
Amendments to HKFRS 9, HKAS 39 HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

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

Impacts and accounting policies on application of Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 “Interest Rate Benchmark Reform – Phase 2”

Accounting policies

Financial instruments

Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform

For changes in the basis for determining the contractual cash flows of a financial asset or financial liability to which the amortised cost measurement applies as a result of interest rate benchmark reform, the Group applies the practical expedient to account for these changes by updating the effective interest rate, such change in effective interest rate normally has no significant effect on the carrying amount of the relevant financial asset or financial liability.

A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if and only if, both these conditions are met:

- the change is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis (i.e. the basis immediately preceding the change).

Transition and summary of effects

The Group intends to apply the practical expedient in relation to the changes in contractual cash flows resulting from the interest rate benchmark reform for medium term notes and bank loans measured at amortised cost. The amendments have had no impact on the condensed consolidated financial statements as none of the above contracts has been transitioned to the relevant replacement rates during the current interim period. The impacts on application of the amendments, if any, including additional disclosures, will be reflected in the Group’s consolidated financial statements for the year ending 31 March 2022.

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, selling 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 2021 (unaudited)

	Segment revenue <i>HK\$'000</i>	Operating (loss) profit <i>HK\$'000</i>	Gain on partial disposal of interests in an associate <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	265,446	(25,061)	70,000	756,340	38,148	(7,459)	831,968
Hotel and leisure	356	(11,307)	–	(15,196)	(28,355)	(3)	(54,861)
Securities investments	–	(2,276)	–	–	–	(50)	(2,326)
Finance	8,539	39,891	–	–	–	–	39,891
SEGMENT TOTAL	274,341	1,247	70,000	741,144	9,793	(7,512)	814,672
Unallocated	–	(211,641)	–	–	(5,720)	(37,027)	(254,388)
GROUP TOTAL	274,341	(210,394)	70,000	741,144	4,073	(44,539)	560,284

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)

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	
	30.9.2021	30.9.2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Effective interest on loan notes	35,110	40,427
Interest on bank borrowings	11,783	21,006
Interest on lease liabilities	211	168
	<hr/>	<hr/>
Total borrowing costs	47,104	61,601
Less: amounts capitalised in qualifying assets	(2,565)	(5,878)
	<hr/>	<hr/>
	44,539	55,723
	<hr/> <hr/>	<hr/> <hr/>

5. PROFIT (LOSS) FOR THE PERIOD

	Six months ended	
	30.9.2021	30.9.2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit (loss) for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	14,257	18,870
Loss on disposal of property, plant and equipment	258	107
Gain on repurchase of loan notes	(391)	(1,834)
Bank interest income	(204)	(241)
Other interest income	(9,494)	(11,528)
	<hr/>	<hr/>
	(9,494)	(11,528)
	<hr/> <hr/>	<hr/> <hr/>

8. DEPOSITS PAID FOR ACQUISITION OF AN ASSOCIATE

In June 2017, Precious Year Limited, a wholly-owned subsidiary of the Company, entered into an agreement for acquiring 45.76% interests in Paul Y. Engineering Group Limited (“**PYE**”) from The 13 (BVI) Limited, a wholly-owned subsidiary of South Shore Holding Limited (In Provisional Liquidation) (“**South Shore**”), a company listed on the Stock Exchange, at a consideration of HK\$265,200,000 (the “**Acquisition Agreement**”). As at 31 March 2021, the Group had paid the deposits of HK\$159,000,000 for the aforesaid acquisition (the “**Deposits**”) and the transaction has not been completed pending fulfilments of certain conditions pursuant to the Acquisition Agreement.

During the six months ended 30 September 2021, a creditor of an intermediate holding company of PYE exercised its right under a share charge over the immediate holding company of PYE (i.e. The 13 (BVI) Limited). As a result, PYE is no longer a subsidiary of South Shore and the Group has issued written notices to South Shore’s legal representatives and The 13 (BVI) Limited respectively to rescind the Acquisition Agreement and to claim against them for the refund of the Deposits together with a sum of HK\$32,000,000 as and for agreed liquidated damages. The Deposits were then accounted for as a financial asset at amortised cost subject to expected credit loss allowance.

During the six months ended 30 September 2021, the Company considered the following incidents as disclosed by South Shore from 1 April 2021 to 30 September 2021:

- (i) there was a change in the beneficial ownership in PYE due to actions taken by a creditor of South Shore;
- (ii) South Shore was ordered to be wound up by the Supreme Court of Bermuda in accordance with section 161 of the Company Act 1981 on 23 July 2021 and provisional liquidators were appointed;
- (iii) Hotel Nova Concórdia, Limitada (English name: New Concordia Hotel Limited, Chinese name: 新聯生酒店有限公司), which is an indirect wholly-owned subsidiary of South Shore and the owner of THE 13 Hotel in Macau (being the sole significant asset of South Shore and its subsidiaries), had itself applied to the court of Macau for voluntary liquidation; and
- (iv) the shares of South Shore have been suspended from trading on the Stock Exchange since 2 July 2021.

In view of the above-mentioned negative facts and circumstances, a loss of HK\$159,000,000 was recognised in respect of the Deposits during the six months ended 30 September 2021.

9. 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 (31.3.2021: 60 days) to its trade customers.

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:

	30.9.2021 HK\$'000 (unaudited)	31.3.2021 <i>HK\$'000</i> (audited)
Trade debtors aged:		
0 – 60 days	2,181	3,083
61 – 90 days	–	37
Over 90 days	–	19
	<hr/> 2,181 <hr/>	<hr/> 3,139 <hr/>

10. LOAN NOTES

In October 2016, a wholly-owned subsidiary of the Group issued loan notes (the “**Guaranteed Notes**”) with a nominal value of US\$200,000,000 (equivalent to approximately HK\$1,508,846,000), which were guaranteed by the Company and listed on the Stock Exchange. The Guaranteed Notes bear coupon interest at 4.75% per annum and matured on 14 October 2021.

During the six months ended 30 September 2021, the Group repurchased the Guaranteed Notes with the principal amount of US\$2,800,000 (equivalent to a carrying amount of HK\$21,724,000) (30.9.2020: principal amount of US\$7,760,000 (equivalent to a carrying amount of HK\$59,759,000)) at cash consideration of HK\$21,333,000 (30.9.2020: HK\$57,925,000), giving rise to a gain on repurchase amounting to HK\$391,000 (30.9.2020: HK\$1,834,000), being the difference between the carrying amounts of the repurchased Guaranteed Notes derecognised and the consideration paid.

Subsequent to the end of the reporting period, the Group fully repaid the outstanding principal and the outstanding interest accrued thereon.

11. EVENT AFTER THE END OF THE REPORTING PERIOD

On 5 October 2021, the Group disposed of its equity interests in wholly-owned subsidiaries, which hold the redevelopment project at Nos. 41, 43 and 45 Pau Chung Street, To Kwa Wan at an aggregate consideration of approximately HK\$318 million, resulting in an estimated gain of approximately HK\$80 million.

OTHER INFORMATION

Interim Dividend

The Board has declared the Interim Dividend of HK10 cents per Share for the Period to the Shareholders whose names appear on the register of members of the Company (the “**Register of Members**”) as at the close of business on Thursday, 16 December 2021. The Interim Dividend will be paid in cash to the Shareholders on or about Friday, 7 January 2022.

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, 15 December 2021 to Thursday, 16 December 2021, both dates inclusive, during which period no transfer of Shares will be registered. The Shares will be traded ex-dividend as from Monday, 13 December 2021. In order to be entitled to the Interim Dividend, Shareholders must lodge all transfer documents accompanied by the relevant share certificates with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration by no later than 4:30 p.m. on Tuesday, 14 December 2021.

Number of Employees and Remuneration Policies

As at 30 September 2021, the total number of employees of the Group was 243 (31.3.2021: 259). 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 has purchased, sold or redeemed any of the Company’s listed securities during the Period.

Movement in Issued Shares

During the Period, the Company did not issue nor cancel any Shares. As at 30 September 2021, 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 and the former Director who retired during the Period confirmed that they have complied with the required standards set out in the Model Code throughout the Period or his tenure of office within the Period, whichever is shorter.

Review of Interim Results

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

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 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.

APPRECIATION

After serving the Group for 16 years, Mr. Chan Fut Yan retired as a non-executive Director upon the conclusion of the annual general meeting of the Company held on 10 September 2021. On behalf of the Board, I would like to express the sincere gratitude to him for his outstanding dedication and valuable contribution to the Group over his tenure of services.

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

Hong Kong, 26 November 2021

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

Executive Directors:

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

Independent Non-executive Directors:

Hon. Shek Lai Him, Abraham, *GBS, JP (Vice Chairman)*, Mr. Chan Pak Cheong Afonso, Mr. Ip Hon Wah

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