



德祥地產集團有限公司\*

**ITC PROPERTIES GROUP LIMITED**

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

2020-2021  
INTERIM REPORT

+12.53  
+54.2  
+96.4

A line graph with a white line and circular markers, set against a background of vertical bars. The graph shows an overall upward trend. Three data points are highlighted with numerical values: +12.53, +54.2, and +96.4.

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## BOARD OF DIRECTORS

### Executive Directors



**Mr. Cheung Hon Kit**  
*(Chairman)*

### Independent Non-Executive Directors



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



**Mr. Chan Fut Yan**  
*(Managing Director)*



**Mr. Chan Yiu Lun, Alan**



**Mr. Kwok Ka Lap, Alva**



**Mr. Cheung Chi Kit**  
*(Chief Financial Officer)*



**Mr. Wong Lai Shun, Benny**



**Mr. Chan Pak Cheong Afonso**

## BOARD COMMITTEES

### Audit Committee

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

### Remuneration Committee

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

### Nomination Committee

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

### Corporate Governance Committee

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

### Investment Committee

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

## COMPANY SECRETARY

Ms. Wong Siu Mun

## AUTHORISED REPRESENTATIVES

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

## LEGAL ADVISORS

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

## AUDITOR

Deloitte Touche Tohmatsu

## PRINCIPAL BANKERS

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

## REGISTERED OFFICE

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

## BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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

## WEBSITE

[www.itcproperties.com](http://www.itcproperties.com)

## STOCK CODE

Hong Kong Stock Exchange 199

# INFORMATION FOR SHAREHOLDERS

## FINANCIAL CALENDAR

Announcement of 2020-2021 Interim Results	27 November 2020
Book Closure Dates for Interim Dividend	N/A
Record Date for Interim Dividend Entitlement	N/A
Payment Date of Interim Dividend	N/A
Announcement of 2020-2021 Annual Results	June 2021

## MEANS OF RECEIPT AND LANGUAGE OF CORPORATE COMMUNICATIONS

This interim report, in both English and Chinese versions, is now available in printed form, and in accessible format on the website of the Company at [www.itcproperties.com](http://www.itcproperties.com).

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

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

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

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

## SHAREHOLDER ENQUIRIES

E-mail : [info@itcproperties.com](mailto:info@itcproperties.com)

Telephone : (852) 2831 8138

Fax : (852) 2858 2697

# FINANCIAL HIGHLIGHTS

Six months ended 30 September  
2020 2019

HK\$'million

## Revenue

Per condensed consolidated statement of profit or loss  
Property income and hotel revenue  
– share of associates and joint ventures  
– by way of disposal of interest in a joint venture

28 111  
98 201  
– 167

126 479

## Net loss

(303) (521)

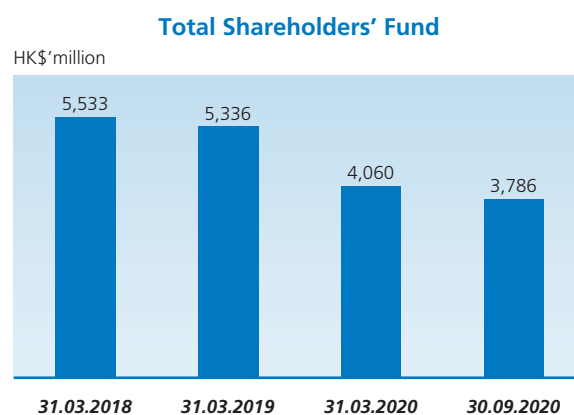
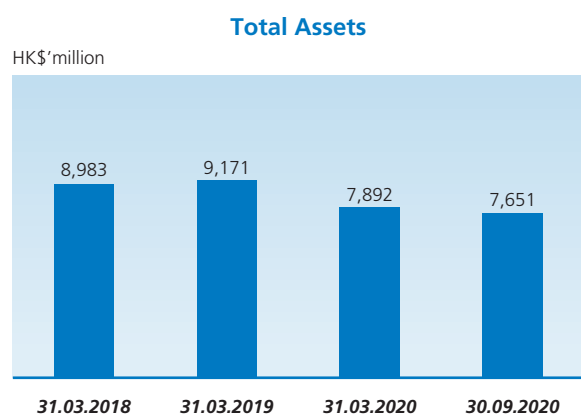
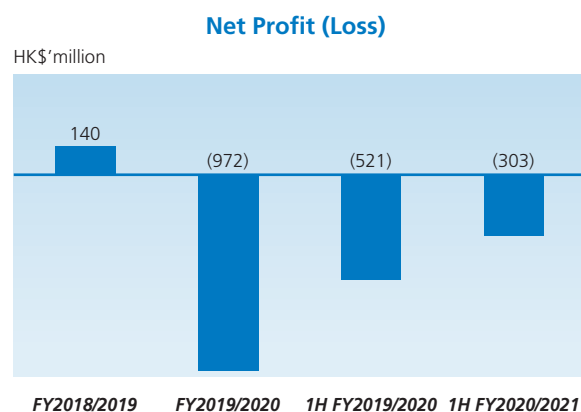
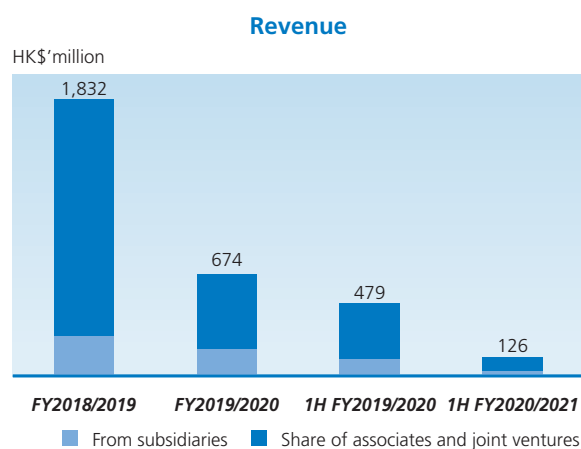
HK cents

## Basic loss per Share

(32) (54)

## Interim dividend per Share

– 3



# MANAGEMENT DISCUSSION AND ANALYSIS

## 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 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).

## 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.



# MANAGEMENT DISCUSSION AND ANALYSIS

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

Location	Usage	Group's interests (%)	Attributable gross floor area <sup>(1)</sup> (sq. ft.)
<b>Macau</b>			
One Oasis, Sky Oasis and Grand Oasis situated at Estrada de Seac Pai Van	Residential/Commercial	35.5	622,800
<b>Sub-total</b>			<b>622,800</b>
<b>Hong Kong</b>			
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 <sup>(2)</sup>	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
<b>Sub-total</b>			<b>270,800</b>

# MANAGEMENT DISCUSSION AND ANALYSIS

Location	Usage	Group's interests (%)	Attributable gross floor area <sup>(1)</sup> (sq. ft.)
<b>PRC</b>			
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
<b>Sub-total</b>			<b>1,087,000</b>
<b>Overseas</b>			
Townsend House situated at Greycoat Place, London, United Kingdom	Residential/Commercial <sup>(3)</sup>	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
<b>Sub-total</b>			<b>430,800</b>
<b>Total</b>			<b>2,411,400</b>

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.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

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 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.

## 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.

## 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.

## OTHER INFORMATION

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

As at 30 September 2020, the interests and short positions of the Directors and chief executive of the Company and/or their respective close associates in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

#### (I) The Company

Name of Director	Number of Shares held	Number of underlying Shares held (Note 2)	Total	Percentage (Note 3)
Mr. Cheung Hon Kit ("Mr. HK Cheung")	48,800,000	7,000,000	55,800,000	5.81%
Mr. Chan Fut Yan ("Mr. FY Chan")	3,589,595	3,500,000	7,089,595	0.73%
Mr. Cheung Chi Kit ("Mr. CK Cheung")	2,850,000	2,000,000	4,850,000	0.50%
Mr. Chan Yiu Lun, Alan ("Mr. Alan Chan")	4,075,781	1,500,000	5,575,781	0.58%
Mr. Wong Lai Shun, Benny ("Mr. Benny Wong")	230,000	1,500,000	1,730,000	0.18%
Hon. Shek Lai Him, Abraham, <i>GBS, JP</i> ("Mr. Abraham Shek")	322,347	500,000	822,347	0.08%
Mr. Kwok Ka Lap, Alva ("Mr. Alva Kwok")	623,453	300,000	923,453	0.09%
Mr. Chan Pak Cheong Afonso ("Mr. Afonso Chan")	–	300,000	300,000	0.03%

### (II) Associated corporation of the Company

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

Notes:

1. The Directors were the beneficial owners having personal interests in the Shares, underlying Shares and/or debenture disclosed above and all such interests were long positions.
2. This represented the share options granted by the Company (being regarded as unlisted physically settled equity derivatives) on 4 April 2018. Details of the share options are disclosed in the section headed "Share Option Scheme" below.
3. This represented the approximate percentage of the total number of issued Shares as at 30 September 2020.

Save as disclosed above, as at 30 September 2020, none of the Directors or chief executive of the Company and/or their respective close associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

### SHARE OPTION SCHEME

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

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



## OTHER INFORMATION

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

Category and name of participant	Number of share options				
	Outstanding as at 1 April 2020	Granted during the Period	Exercised during the Period	Cancelled/ lapsed during the Period	Outstanding as at 30 September 2020
<b>Directors</b>					
Mr. HK Cheung	7,000,000	–	–	–	7,000,000
Mr. FY Chan	3,500,000	–	–	–	3,500,000
Mr. CK Cheung	2,000,000	–	–	–	2,000,000
Mr. Alan Chan (Note 1)	1,500,000	–	–	–	1,500,000
Mr. Benny Wong	1,500,000	–	–	–	1,500,000
Mr. Abraham Shek	500,000	–	–	–	500,000
Mr. Alva Kwok	300,000	–	–	–	300,000
Mr. Afonso Chan	300,000	–	–	–	300,000
<b>Sub-total</b>	<b>16,600,000</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>16,600,000</b>
<b>Employees</b>	6,510,000	–	–	(120,000)	6,390,000
<b>Other participants</b> (Note 2)	3,300,000	–	–	–	3,300,000
<b>Total</b>	<b>26,410,000</b>	<b>–</b>	<b>–</b>	<b>(120,000)</b>	<b>26,290,000</b>

Notes:

1. Mr. Alan Chan is also an associate (as defined in the Listing Rules) of the substantial Shareholders.
2. The other participants are consultants of the Group.

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

**INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS**

As at 30 September 2020, so far as being known to the Directors or chief executive of the Company, the interests and short positions of the substantial Shareholders or other persons (other than the Directors or chief executive of the Company) in the Shares and underlying Shares, which have been disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO and have been recorded in the register required to be kept by the Company pursuant to section 336 of the SFO, were as follows:

Name	Nature of interests	Capacity	Number of Shares held	Percentage (Note 2)
<b>(I) Substantial Shareholders</b>				
Dr. Chan Kwok Keung, Charles ("Dr. Charles Chan")	Personal interests	Beneficial owner	191,588,814	19.95%
	Corporate interests	Interest of controlled corporation	76,186,279	7.94%
	Family interests	Interest of spouse	<u>248,031,919</u>	<u>25.83%</u>
			515,807,012 (Note 3)	53.72%
Ms. Ng Yuen Lan, Macy ("Ms. Macy Ng")	Corporate interests	Interest of controlled corporation	248,031,919	25.83%
	Family interests	Interest of spouse	<u>267,775,093</u>	<u>27.89%</u>
			515,807,012 (Note 4)	53.72%
Record High Enterprises Limited ("Record High")	Corporate interests	Interest of controlled corporation	248,031,919 (Note 4)	25.83%
Fortune Crystal Holdings Limited ("Fortune Crystal")	Personal interests	Beneficial owner	248,031,919 (Note 4)	25.83%

## OTHER INFORMATION

Name	Nature of interests	Capacity	Number of Shares held	Percentage (Note 2)
<b>(II) Other persons</b>				
ITC Holdings Limited ("ITC Holdings")	Corporate interests	Interest of controlled corporation	76,186,279 (Note 3)	7.94%
Galaxyway Investments Limited ("Galaxyway")	Personal interests	Beneficial owner	76,186,279 (Note 3)	7.94%

### Notes:

- All the interests in the Shares disclosed above were long positions. Also, no underlying Shares were held by the substantial Shareholders and other persons stated above.
- This represented the approximate percentage of the total number of issued Shares as at 30 September 2020.
- Galaxyway owned 76,186,279 Shares and was a wholly-owned subsidiary of ITC Holdings which in turn was wholly owned by Dr. Charles Chan. As such, ITC Holdings and Dr. Charles Chan were deemed to be interested in the 76,186,279 Shares owned by Galaxyway by virtue of Part XV of the SFO.

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

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

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

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

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

Save as disclosed above, as at 30 September 2020, the Company had not been notified of any other interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

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

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

### REVIEW OF INTERIM RESULTS

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

### COMPLIANCE WITH CG CODE

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

Throughout the Period, the Company has complied with all the code provisions of the CG Code and applied the principles contained therein.

### COMPLIANCE WITH MODEL CODE

The Company has adopted the Model Code as its own code of conduct for Directors in their dealings in the securities of the Company. In response to specific enquiries made by the Company, all the Directors confirmed that they have complied with the required standards set out in the Model Code throughout the Period.

### CHANGES IN INFORMATION ON DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, changes in information on the Directors since the last published 2019-2020 annual report of the Company and up to the date of this report were set out below:

- (i) There were changes to the directorships of each of Mr. HK Cheung, Mr. FY Chan, Mr. CK Cheung, Mr. Alan Chan and Mr. Benny Wong in certain members of the Group.
- (ii) Mr. Abraham Shek was appointed as an independent non-executive director of Landing International Development Limited and Hao Tian International Construction Investment Group Limited, both being listed companies in Hong Kong, with effect from 14 August 2020 and 15 October 2020 respectively.

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

On behalf of the Board

**Cheung Hon Kit**  
*Chairman*

Hong Kong, 27 November 2020

# REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

# Deloitte.

# 德勤

## TO THE BOARD OF DIRECTORS OF ITC PROPERTIES GROUP LIMITED

德祥地產集團有限公司

*(Incorporated in Bermuda with limited liability)*

### INTRODUCTION

We have reviewed the condensed consolidated financial statements of ITC Properties Group Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 21 to 54, which comprise the condensed consolidated statement of financial position as of 30 September 2020 and the related condensed consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### SCOPE OF REVIEW

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

### CONCLUSION

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

**Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

27 November 2020

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2020

	NOTES	Six months ended 30 September	
		2020	2019
		HK\$'000 (unaudited)	HK\$'000 (unaudited)
Revenue	3	<b>28,189</b>	110,809
Hotel operation and management income		<b>3,973</b>	63,636
Property income		<b>7,696</b>	10,264
		<b>11,669</b>	73,900
Direct cost for hotel operation and management income and property income		<b>(8,250)</b>	(72,667)
Gross profit for hotel operation and management income and property income		<b>3,419</b>	1,233
Interest revenue from loan financing		<b>16,520</b>	36,909
Net fair value gain (loss) on financial instruments	4	<b>7,677</b>	(4,466)
Other income, gains and losses		<b>23,921</b>	33,774
Recognition of impairment losses under expected credit loss model, net	24	<b>(89,234)</b>	(232,817)
Gain on disposal of joint ventures	12	–	40,574
Decrease in fair value of investment properties	10	<b>(61,065)</b>	(107,063)
Administrative and other expenses		<b>(101,074)</b>	(119,655)
Finance costs	5	<b>(55,723)</b>	(66,984)
Share of results of associates		<b>(100)</b>	23,236
Share of results of joint ventures		<b>(78,666)</b>	(125,585)
Loss before taxation		<b>(334,325)</b>	(520,844)
Taxation	6	<b>31,703</b>	–
Loss for the period	7	<b>(302,622)</b>	(520,844)
Loss for the period attributable to:			
Owners of the Company		<b>(302,019)</b>	(520,562)
Non-controlling interests		<b>(603)</b>	(282)
		<b>(302,622)</b>	(520,844)
<b>Loss per share</b>	9		
– Basic (HK dollar)		<b>(0.32)</b>	(0.54)
– Diluted (HK dollar)		<b>(0.32)</b>	(0.54)

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

For the six months ended 30 September 2020

	Six months ended 30 September	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Loss for the period	<u>(302,622)</u>	<u>(520,844)</u>
<b>Other comprehensive income (expense)</b>		
<b>Item that will not be reclassified to profit or loss:</b>		
Loss on fair value changes of financial assets designated as at fair value through other comprehensive income ("FVTOCI")	<b>(5,325)</b>	(25,324)
<b>Items that may be subsequently reclassified to profit or loss:</b>		
Reclassification adjustment of translation reserve to profit or loss upon disposal of joint ventures	–	(709)
Exchange differences arising on translation of foreign operations	<b>65,841</b>	(29,431)
Share of translation reserve of associates and joint ventures	<b>9,068</b>	(18,325)
Other comprehensive income (expense) for the period	<u><b>69,584</b></u>	<u>(73,789)</u>
Total comprehensive expense for the period	<u><b>(233,038)</b></u>	<u>(594,633)</u>
Total comprehensive expense for the period attributable to:		
Owners of the Company	<b>(232,622)</b>	(593,952)
Non-controlling interests	<b>(416)</b>	(681)
	<u><b>(233,038)</b></u>	<u>(594,633)</u>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2020

	NOTES	30.9.2020 HK\$'000 (unaudited)	31.3.2020 HK\$'000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment		547,377	900,874
Investment properties	10	692,000	751,440
Equity and fund investments	11	183,467	174,346
Interests in joint ventures	12	591,709	622,431
Amounts due from joint ventures	12	560,010	500,779
Interests in associates	13	1,654,329	1,652,761
Amount due from an associate	13	40,686	32,686
Other loan receivables	14	71,588	67,728
Deposit paid for acquisition of an associate	13	159,000	159,000
Other non-current assets		115,423	153,551
		<b>4,615,589</b>	<b>5,015,596</b>
<b>Current assets</b>			
Inventories – food, beverages and general stores		–	815
Deposits paid for acquisition of leasehold land		348,892	336,348
Stock of properties	15	1,384,521	1,332,423
Other loan receivables	14	231,162	286,928
Debtors, deposits and prepayments	16	197,301	210,900
Equity and fund investments	11	117,271	114,356
Debt investments	17	72,586	80,145
Bank balances and cash		342,907	514,138
		<b>2,694,640</b>	<b>2,876,053</b>
Assets classified as held for sale	18	340,573	–
		<b>3,035,213</b>	<b>2,876,053</b>
<b>Current liabilities</b>			
Creditors, deposits and accrued charges	19	216,046	210,729
Amount due to a joint venture	12	11,173	11,635
Amount due to an associate	13	210,537	139,660
Tax payables		170,565	201,230
Lease liabilities		3,974	4,750
Bank borrowings	20	1,424,679	1,738,160
		<b>2,036,974</b>	<b>2,306,164</b>
Liabilities associated with assets classified as held for sale	18	299,045	–
		<b>2,336,019</b>	<b>2,306,164</b>
<b>Net current assets</b>		<b>699,194</b>	<b>569,889</b>
<b>Total assets less current liabilities</b>		<b>5,314,783</b>	<b>5,585,485</b>



# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2020

	NOTES	30.9.2020 HK\$'000 (unaudited)	31.3.2020 HK\$'000 (audited)
<b>Non-current liabilities</b>			
Loan notes	21	1,463,655	1,519,836
Lease liabilities		2,757	3,785
Bank borrowings	20	60,674	–
		<u>1,527,086</u>	<u>1,523,621</u>
		<u>3,787,697</u>	<u>4,061,864</u>
<b>Capital and reserves</b>			
Share capital	22	9,602	9,607
Reserves		3,775,918	4,050,678
		<u>3,785,520</u>	<u>4,060,285</u>
Equity attributable to owners of the Company		3,785,520	4,060,285
Non-controlling interests		2,177	1,579
		<u>3,787,697</u>	<u>4,061,864</u>

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months 30 September 2020

	Attributable to owners of the Company													Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Treasury shares HK\$'000	Contributed surplus HK\$'000 (note i)	Capital redemption reserve HK\$'000 (note ii)	Share-based payment reserve HK\$'000	Investment revaluation reserve HK\$'000	Other reserve HK\$'000	Special reserve HK\$'000 (note iii)	Translation reserve HK\$'000	Retained profits HK\$'000	Sub-total HK\$'000	Non-controlling interests HK\$'000	
At 1 April 2019 (audited)	9,753	3,396,385	-	113,020	9,185	3,184	(260,992)	-	(8,908)	(32,877)	2,099,815	5,328,565	2,990	5,331,555
Loss for the period	-	-	-	-	-	-	-	-	-	-	(520,562)	(520,562)	(282)	(520,844)
Loss on fair value changes of financial assets designated as at FVTOCI	-	-	-	-	-	-	(25,324)	-	-	-	-	(25,324)	-	(25,324)
Reclassification adjustment of translation reserve to profit or loss upon disposal of joint ventures	-	-	-	-	-	-	-	-	-	(709)	-	(709)	-	(709)
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	-	-	-	(29,032)	-	(29,032)	(399)	(29,431)
Share of translation reserve of associates and joint ventures	-	-	-	-	-	-	-	-	-	(18,325)	-	(18,325)	-	(18,325)
Total comprehensive expense for the period	-	-	-	-	-	-	(25,324)	-	-	(48,066)	(520,562)	(593,952)	(681)	(594,633)
Recognition of equity-settled share-based payments (Note 23)	-	-	-	-	-	494	-	-	-	-	-	494	-	494
Repurchase of shares (Note 22(b))	(95)	(16,935)	-	-	95	-	-	-	-	-	(95)	(17,030)	-	(17,030)
Issue of shares pursuant to scrip dividend scheme for 2019 second interim dividend (Note 22(a))	5	679	-	-	-	-	-	-	-	-	-	684	-	684
Dividends recognised as distribution (Note 8)	-	-	-	-	-	-	-	-	-	-	(116,108)	(116,108)	-	(116,108)
At 30 September 2019 (unaudited)	9,663	3,380,129	-	113,020	9,280	3,678	(286,316)	-	(8,908)	(80,943)	1,463,050	4,602,653	2,309	4,604,962
At 1 April 2020 (audited)	9,607	3,374,659	(3,038)	113,020	9,336	4,130	(289,453)	-	(8,908)	(132,636)	983,568	4,060,285	1,579	4,061,864
Loss for the period	-	-	-	-	-	-	-	-	-	-	(302,019)	(302,019)	(603)	(302,622)
Loss on fair value changes of financial assets designated as at FVTOCI	-	-	-	-	-	-	(5,325)	-	-	-	-	(5,325)	-	(5,325)
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	-	-	-	65,654	-	65,654	187	65,841
Share of translation reserve of associates and joint ventures	-	-	-	-	-	-	-	-	-	9,068	-	9,068	-	9,068
Total comprehensive (expense) income for the period	-	-	-	-	-	-	(5,325)	-	-	74,722	(302,019)	(232,622)	(416)	(233,038)
Recognition of equity-settled share-based payments (Note 23)	-	-	-	-	-	8	-	-	-	-	-	8	-	8
Cancellation of shares (Note 22(d))	(33)	(3,005)	3,038	-	33	-	-	-	-	-	(33)	-	-	-
Issue of shares pursuant to scrip dividend scheme for 2020 second interim dividend (Note 22(c))	28	2,343	-	-	-	-	-	-	-	-	-	2,371	-	2,371
Partial disposal of a subsidiary without loss of control	-	-	-	-	-	-	-	3,348	-	-	-	3,348	1,014	4,362
Transfer on lapse of share options	-	-	-	-	-	(19)	-	-	-	-	19	-	-	-
Dividends recognised as distribution (Note 8)	-	-	-	-	-	-	-	-	-	-	(47,870)	(47,870)	-	(47,870)
At 30 September 2020 (unaudited)	9,602	3,373,997	-	113,020	9,369	4,119	(294,778)	3,348	(8,908)	(57,914)	633,665	3,785,520	2,177	3,787,697

notes:

- (i) The contributed surplus of the Group represents the credit arising from capital reduction pursuant to the capital reorganisation on 13 March 2010.
- (ii) The capital redemption reserve represents the shares repurchased and cancelled.
- (iii) Special reserve of the Group represents the difference between the nominal value of the share capital of the subsidiaries acquired and the nominal amount of the share capital of the Company issued as consideration under the group reorganisation in prior years.

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2020

	NOTES	Six months ended 30 September	
		2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Net cash used in operating activities		<b>(167,032)</b>	(260,403)
Net cash (used in) generated from investing activities			
Refund of deposit paid for acquisition of an investment		<b>15,000</b>	–
Proceeds from disposal of property, plant and equipment		<b>836</b>	–
Interest received		<b>259</b>	3,512
Repayment from joint ventures		<b>123</b>	–
Advances to joint ventures		<b>(48,546)</b>	(31,636)
Advances to associates		<b>(8,000)</b>	(8,000)
Purchase of property, plant and equipment		<b>(3,276)</b>	(1,315)
Additions to investment properties		<b>(1,625)</b>	(3,063)
Investments in joint ventures		<b>(843)</b>	(977)
Disposal of joint ventures	12	–	215,414
Return of capital from a joint venture	12	–	176,340
Deposit/earnest money paid for purchase of equity investments		–	(25,000)
Acquisition of a subsidiary		–	(66)
		<b>(46,072)</b>	325,209
Net cash generated from financing activities			
New bank borrowings raised		<b>104,744</b>	570,546
Advance from an associate		<b>70,877</b>	178,277
Advance from non-controlling interests		<b>28,793</b>	26,651
Proceeds from partial disposal of a subsidiary without loss of control		<b>4,362</b>	–
Repayment of bank borrowings		<b>(63,538)</b>	(310,659)
Repurchase of loan notes	21	<b>(57,925)</b>	(12,488)
Dividends paid	8	<b>(45,499)</b>	(115,424)
Repayment of lease liabilities, including related interests		<b>(3,025)</b>	(43,216)
Repurchase of shares, including direct expenses	22(b)	–	(17,030)
		<b>38,789</b>	276,657
Net (decrease) increase in cash and cash equivalents		<b>(174,315)</b>	341,463
Cash and cash equivalents at the beginning of the period		<b>514,138</b>	526,187
Effect of foreign exchange rate changes		<b>4,723</b>	(19,032)
Cash and cash equivalents at the end of the period, represented by bank balances and cash		<b>344,546</b>	848,618
Less: Cash and cash equivalents classified as assets held for sale	18	<b>(1,639)</b>	–
		<b>342,907</b>	848,618

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

### 1A. SIGNIFICANT EVENTS AND TRANSACTIONS IN THE CURRENT INTERIM PERIOD

The outbreak of COVID-19 and the subsequent quarantine measures as well as the travel restrictions imposed by many countries have had negative impacts to the global economy, business environment and directly and indirectly affect the operations of ITC Properties Group Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”). During the current interim period, there were further decreases in fair values of properties held by the Group and its joint venture and the results from hotels operated by joint ventures of the Group were unsatisfactory as a result of the adverse impact of the COVID-19 pandemic. As such, the financial position and performance of the Group were affected in different aspects.

## 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 additional accounting policies resulting from the application of amendments to Hong Kong Financial Reporting Standards (“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.

### Application of amendments to HKFRSs

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and 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 2020 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

Except 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 has had no material impact on the Group’s financial position and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

## 2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

### **Application of amendments to HKFRSs *(Continued)***

#### ***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.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

## 3. SEGMENT INFORMATION

### Disaggregation of revenue

	Six months ended 30 September	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
<b>Revenue from contracts with customers:</b>		
<i>Property</i>		
Revenue from building management fee income		
– recognised over time	309	453
Revenue from properties commission income		
– recognised at a point of time	1,093	3,731
<i>Hotel and leisure</i>		
Revenue from hotel accommodation		
– recognised over time	3,792	52,487
Revenue from hotel management service (Note 28)		
– recognised over time	181	–
Revenue from food catering operation		
– recognised at a point of time	–	11,149
	<b>5,375</b>	<b>67,820</b>
<b>Revenue from other sources:</b>		
Leases	6,294	6,080
Interest revenue from loan financing	16,520	36,909
	<b>22,814</b>	<b>42,989</b>
<b>Total revenue</b>	<b>28,189</b>	<b>110,809</b>

The segment information reported externally was analysed on the basis of the goods and services delivered or provided by the Group's operating divisions which is consistent with the internal information that is regularly reviewed by the executive directors, the chief operating decision maker (the "CODM"), for the purposes of resource allocation and assessment of performance. This is also the basis of organisation in the Group, whereby the management has chosen to organise the Group around differences in products and services.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

## 3. SEGMENT INFORMATION (Continued)

The Group's reportable and operating segments are as follows:

Property	–	development of and investment in properties
Hotel and leisure	–	development of, investment in and operation 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 HK\$'000 (note (a))	Operating (loss) profit HK\$'000	Share of results of associates HK\$'000	Share of results of joint ventures HK\$'000	Finance costs HK\$'000	Segment results: loss before taxation HK\$'000 (note (b))
Property (note (c))	7,696	(110,888)	5,968	(22,152)	(11,269)	(138,341)
Hotel and leisure (note (d))	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)

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

## 3. SEGMENT INFORMATION (Continued)

For the six months ended 30 September 2019 (unaudited)

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

notes:

- Revenue set out above comprises income from leases, properties commission income, building management fee income, hotel operation and management service income and loan financing income. All segment revenue is from external customers.
- The aggregate of the segment results set out above comprises the loss before taxation from each segment without allocation of certain other income, gains and losses, certain administrative and other expenses, certain gain on disposal of joint ventures, share of results of certain joint ventures and certain finance costs.
- The segment revenue of property segment included income from leases, properties commission income and building management fee income. During the current interim period, the segment result of property segment included decrease in fair value of investment properties of HK\$61,065,000 (30 September 2019: HK\$107,063,000).
- Following the expiry of the lease agreement of Rosedale Hotel Kowloon (which is owned by a 40%-owned joint venture of the Group) on 31 March 2020, the revenue and operating loss from Rosedale Hotel Kowloon were no longer included in the Group's revenue and operating loss, but recognised in the share of results of joint ventures of hotel and leisure segment during the current interim period. In addition, the Group charged hotel management fee income from the joint venture in accordance with a hotel management agreement effective on 1 April 2020.

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



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

## 3. SEGMENT INFORMATION (Continued)

### Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segment:

	Segment assets		Segment liabilities	
	30.9.2020 HK\$'000 (unaudited)	31.3.2020 HK\$'000 (audited)	30.9.2020 HK\$'000 (unaudited)	31.3.2020 HK\$'000 (audited)
Property	<b>4,882,958</b>	4,871,928	<b>1,763,406</b>	1,702,554
Hotel and leisure	<b>1,431,578</b>	1,447,630	<b>434,906</b>	473,227
Securities investments	<b>229,784</b>	239,759	<b>87,923</b>	77,226
Finance	<b>335,982</b>	385,527	<b>27</b>	48
Segment total	<b>6,880,302</b>	6,944,844	<b>2,286,262</b>	2,253,055
Unallocated:				
Bank balances and cash	<b>342,907</b>	514,138	–	–
Loan notes	–	–	<b>1,463,655</b>	1,519,836
Accrued coupon interest on loan notes	–	–	<b>32,453</b>	33,861
Others	<b>427,593</b>	432,667	<b>80,735</b>	23,033
Total	<b>7,650,802</b>	7,891,649	<b>3,863,105</b>	3,829,785

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

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

## 4. NET FAIR VALUE GAIN (LOSS) ON FINANCIAL INSTRUMENTS

	Six months ended 30 September	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Net increase (decrease) in fair values of financial assets at fair value through profit or loss ("FVTPL")		
– held at the end of the reporting period	<b>7,738</b>	(4,432)
– disposed of during the period	<b>(61)</b>	(34)
	<b>7,677</b>	(4,466)

## 5. FINANCE COSTS

	Six months ended 30 September	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Effective interest on loan notes	<b>40,427</b>	41,399
Interest on bank borrowings	<b>21,006</b>	29,198
Interest on lease liabilities	<b>168</b>	1,474
Total borrowing costs	<b>61,601</b>	72,071
Less: amounts capitalised in qualifying assets	<b>(5,878)</b>	(5,087)
	<b>55,723</b>	66,984

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

## 6. TAXATION

	Six months ended 30 September	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Hong Kong Profits Tax:		
Current tax	(21)	–
Overprovision in prior years	31,724	–
	<u>31,703</u>	<u>–</u>
Hong Kong Profits Tax	<u>31,703</u>	<u>–</u>

Hong Kong Profits Tax of the qualified entity of the Group was calculated in accordance with the two-tiered profits tax rates regime (i.e. the first HK\$2 million of profits of a qualifying group entity to be taxed at 8.25%, and profits above HK\$2 million to be taxed at 16.5%), while the profits of other group entities not qualifying for the two-tiered profits tax rates regime continued to be taxed at a flat rate of 16.5%. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions. During the current interim period, reversal of HK\$31,724,000 was recognised as the relevant accounting tax provision was made in prior years that is beyond the statutory time bar period.

No provision for Hong Kong Profits Tax was made for the six months ended 30 September 2019 as the assessable profit was wholly absorbed by tax losses brought forward. No provision for taxation in other jurisdictions has been made as there were no assessable profits for both periods.

## 7. LOSS FOR THE PERIOD

	Six months ended 30 September	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (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 (Note 21)	(1,834)	(1,706)
Bank interest income	(241)	(3,634)
Other interest income	(11,528)	(11,337)
	<u>(11,528)</u>	<u>(11,337)</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

## 8. DISTRIBUTION

	Six months ended 30 September	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(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	<b>47,870</b>	116,108
Dividends in form of:		
– Cash	<b>45,499</b>	115,424
– Scrip shares	<b>2,371</b>	684
	<b>47,870</b>	116,108
Dividend declared in respect of the current period:		
Interim dividend declared for the current period – Nil (2019: HK3 cents per share)	–	28,988

The board of directors of the Company decided not to declare an interim dividend for the current interim period (2019: HK3 cents per share).

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

## 9. LOSS PER SHARE

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

	Six months ended 30 September	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
<b>Loss</b>		
Loss for the period attributable to owners of the Company for the purpose of basic and diluted loss per share	<u>(302,019)</u>	<u>(520,562)</u>
	<u>2020</u>	<u>2019</u>
<b>Number of shares:</b>		
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 2019 and 2020 as the exercise price of those share options was higher than the average market price for shares.

## 10. INVESTMENT PROPERTIES

The valuation for the investment properties has been arrived at on the basis of valuation carried out on the reporting dates by an independent firm of professional valuer which adopted the direct comparison method based on the average market observable transactions of similar properties after applying adjusting factors ranging from 73% to 110% (31 March 2020: 69% to 110%) to reflect the conditions and locations of the subject properties in respect of completed investment properties.

A decrease in fair value of investment properties of HK\$61,065,000 has been recognised directly in the condensed consolidated statement of profit or loss for the six months ended 30 September 2020 (six months ended 30 September 2019: a decrease in fair value of HK\$107,063,000).

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

## 11. EQUITY AND FUND INVESTMENTS

	30.9.2020 HK\$'000 (unaudited)	31.3.2020 HK\$'000 (audited)
Listed equity securities in Hong Kong	<b>42,567</b>	39,917
Unlisted equity securities in overseas	<b>162,440</b>	152,888
Unlisted investment funds in overseas	<b>95,731</b>	95,897
	<b>300,738</b>	288,702
Analysed as:		
Current	<b>117,271</b>	114,356
Non-current	<b>183,467</b>	174,346
	<b>300,738</b>	288,702
Classified as financial assets at:		
FVTOCI	<b>28,457</b>	33,782
FVTPL	<b>272,281</b>	254,920
	<b>300,738</b>	288,702

The fair values of the listed equity securities are determined based on the closing prices quoted in active markets in Hong Kong except for the suspended listed securities as disclosed in Note 25.

An amount of HK\$143,540,000 (31 March 2020: HK\$129,088,000) which represents the Group's 19% equity interests in a private entity established in the PRC is included in unlisted equity securities and is measured at fair value. This investment is not regarded as an associate of the Group because the Group is not able to exercise significant influence in the investee's relevant activities due to the absence of the right to appoint directors to the investee's board of directors. Details of fair value measurements of the unlisted equity securities and investment funds in overseas are set out in Note 25.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

## 12. INTERESTS IN JOINT VENTURES/AMOUNTS DUE FROM (TO) JOINT VENTURES

	30.9.2020 HK\$'000 (unaudited)	31.3.2020 HK\$'000 (audited)
Cost of unlisted investment in joint ventures	<b>1,310,595</b>	1,288,989
Share of post-acquisition results and other comprehensive expense, net of dividend	<b>(718,886)</b>	(666,558)
	<b>591,709</b>	622,431
Amounts due from joint ventures (note (a))	<b>733,026</b>	654,857
Less: Impairment loss	<b>(11,022)</b>	(11,022)
Less: Share of post-acquisition losses that are in excess of cost of investment	<b>(161,994)</b>	(143,056)
	<b>560,010</b>	500,779
Amount due to a joint venture (note (b))	<b>(11,173)</b>	(11,635)

notes:

- (a) The amounts were non-trade in nature, unsecured, interest-free and had no fixed term of repayment, except for an amount of Canadian dollar ("CAD") 26,968,000 (equivalent to HK\$156,199,000) (31 March 2020: CAD26,416,000 (equivalent to HK\$144,521,000)) which carried a fixed interest rate of 15% (31 March 2020: 15%) per annum, and was repayable on 1 March 2022.
- (b) The amount was non-trade in nature, unsecured, non-interest bearing and repayable on demand.

On 1 August 2019, a joint venture paid CAD30,000,000 (equivalent to approximately HK\$176,340,000) to the Group as a return of capital.

During the six months ended 30 September 2019, the Group disposed of its entire equity interests in certain joint ventures with an aggregate carrying amount of HK\$107,566,000, together with the amounts due from these joint ventures of HK\$98,860,000 to the joint venture partners who are independent third parties at a cash consideration of HK\$247,000,000, resulting in a gain on disposal of joint ventures of HK\$40,574,000. As at 30 September 2020, the remaining cash consideration receivable on disposal of a joint venture of HK\$31,586,000 (31 March 2020: HK\$31,586,000) was expected to be settled within twelve months from the end of the reporting period.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

## 12. INTERESTS IN JOINT VENTURES/AMOUNTS DUE FROM (TO) JOINT VENTURES *(Continued)*

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

Name of entity	Place of incorporation/ establishment	Class of shares held	Nominal value of issued and fully paid share capital	Proportion of nominal value of issued share capital held by the Group		Proportion of voting power held		Principal activity
				30.9.2020	31.3.2020	30.9.2020	31.3.2020	
				%	%	%	%	
1488 Alberni LPDH	Canada	N/A	N/A	<b>28</b>	28	<b>28</b> <b>(note (a))</b>	28 (note (a))	Property development
1488 Alberni LPI	Canada	N/A	N/A	<b>28</b>	28	<b>28</b> <b>(note (a))</b>	28 (note (a))	Property development
Bayshore	British Virgin Islands	Ordinary	CAD172,200,000	<b>50</b>	50	<b>50</b>	50	Investment holding (note (b))
More Cash	British Virgin Islands	Ordinary	United States Dollars ("US\$") 100	<b>42</b>	42	<b>50</b>	50	Investment holding (note (c))
More Star	British Virgin Islands	Ordinary	US\$10	<b>40</b>	40	<b>40</b> <b>(note (d))</b>	40 (note (d))	Investment holding (note (e))

notes:

- (a) The Group is able to exercise joint control over the relevant activities of 1488 Alberni LPDH and 1488 Alberni LPI, limited partnerships established in British Columbia, Canada, as the major decisions regarding the relevant activities of 1488 Alberni LPDH and 1488 Alberni LPI require unanimous consent of their respective shareholders according to the shareholders' agreements.
- (b) The principal activities of its subsidiaries are holding of a hotel property and hotel operation in Vancouver, Canada.
- (c) Its subsidiary holds 75% interests in a sino-foreign cooperative joint venture. The principal activity of the joint venture is holding of portions of a property in Guangzhou City, the PRC.
- (d) The Group is able to exercise joint control over the relevant activities of More Star as the major decisions regarding the relevant activities of More Star require unanimous consent of both of the shareholders of More Star according to the shareholders' agreement.
- (e) The principal activities of its subsidiaries are holding of a hotel property and hotel operation in Hong Kong.

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



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

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

	30.9.2020 <i>HK\$'000</i> (unaudited)	31.3.2020 <i>HK\$'000</i> (audited)
Cost of investment in associates, unlisted	<b>898,875</b>	898,875
Share of post-acquisition results and other comprehensive income, net of dividend or other returns	<b>755,454</b>	753,886
	<b>1,654,329</b>	1,652,761
Amount due from an associate (note (a))	<b>40,686</b>	32,686
Amount due to an associate (note (b))	<b>(210,537)</b>	(139,660)

notes:

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

## 13. INTERESTS IN ASSOCIATES/AMOUNTS DUE FROM (TO) AN ASSOCIATE/DEPOSIT PAID FOR ACQUISITION OF AN ASSOCIATE (Continued)

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

Name of entity	Place of incorporation/ establishment	Class of shares held	Nominal value of issued and fully paid share capital	Proportion of nominal value of issued share capital held by the Group		Proportion of voting power held		Principal activity
				30.9.2020	31.3.2020	30.9.2020	31.3.2020	
				%	%	%	%	
Orient Town	Hong Kong	Ordinary	HK\$700	<b>45</b>	45	<b>45</b>	45	Investment holding (note (a))
Concordia	Macau	Quota capital (note (b))	Macau Patacas 100,000,000	<b>35.5</b>	35.5	<b>35.5</b>	35.5	Property development
Rosedale Beijing	PRC	Registered capital	US\$86,000,000	<b>20</b>	20	<b>20</b>	20	Property holding in Beijing
Wealth Explorer	British Virgin Islands	Ordinary	US\$1,000	<b>40</b>	40	<b>40</b>	40	Investment holding (note (c))

notes:

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

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

In June 2017, Precious Year Limited, a wholly-owned subsidiary of the Company, entered into an agreement to acquire 45.8% interests in Paul Y. Engineering Group Limited from The 13 (BVI) Limited, a wholly-owned subsidiary of South Shore Holdings Limited (a company listed on the Stock Exchange) at a consideration of HK\$265,200,000. As at 30 September 2020, a deposit of HK\$159,000,000 (31 March 2020: HK\$159,000,000) has been paid for the aforesaid acquisition and the transaction has not been completed.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

## 14. OTHER LOAN RECEIVABLES

	30.9.2020 HK\$'000 (unaudited)	31.3.2020 HK \$'000 (audited)
Unsecured fixed-rate loan receivables	162,301	240,523
Unsecured variable-rate loan receivables	68,861	46,405
Secured variable-rate loan receivables	<u>71,588</u>	<u>67,728</u>
	<u>302,750</u>	<u>354,656</u>
Analysed as:		
Current	231,162	286,928
Non-current	<u>71,588</u>	<u>67,728</u>
	<u>302,750</u>	<u>354,656</u>

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

At 30 September 2020, the Group's fixed-rate loan receivables of HK\$16,000,000 (31 March 2020: HK\$80,000,000), net of credit loss allowance for ECL of HK\$304,000,000 (31 March 2020: HK\$240,000,000) represented unsecured and unlisted loan notes issued by a company incorporated in Bermuda with limited liability with its shares listed on the Stock Exchange and carried interest at the fixed rate of 9.5% per annum (31 March 2020: fixed rate of 9.5% per annum) and were due to repay on 27 November 2019. The fixed-rate loan receivables of HK\$146,301,000 (31 March 2020: HK\$160,523,000), net of credit loss allowance for ECL of HK\$35,199,000 (31 March 2020: HK\$20,977,000), were unsecured, carried interest at fixed rates ranging from of 7% to 12% per annum (31 March 2020: fixed rates ranging from of 7% to 12% per annum) and were repayable on demand.

At 30 September 2020, the Group's variable-rate loan receivables represented drawn loan facility of CAD12,360,000 (equivalent to approximately HK\$71,588,000) (31 March 2020: CAD12,379,000 (equivalent to approximately HK\$67,728,000)), net of credit loss allowance for ECL of CAD25,000 (equivalent to approximately HK\$142,000) (31 March 2020: CAD5,000 (equivalent to approximately HK\$27,000)), granted to Caufield Investments Limited, a shareholder of Bayshore. The loan receivables were secured by 25.58% (31 March 2020: 25.58%) equity interest in Bayshore, carried interest at CAD Prime Rate plus 1.25% per annum (31 March 2020: CAD Prime Rate plus 1.25% per annum) and are repayable on 31 May 2022. The unsecured variable-rate loan receivables of HK\$68,861,000 (31 March 2020: HK\$46,405,000), net of credit loss allowance for ECL of HK\$4,618,000 (31 March 2020: HK\$2,075,000), were unsecured, carried interest at variable rates ranging from Hong Kong Prime Rate to Hong Kong Prime Rate plus 2% per annum (31 March 2020: variable rates ranging from Hong Kong Prime Rate to Hong Kong Prime Rate Plus 2%) and were repayable on demand.

The management of the Group has concluded that for the six months ended 30 September 2020, additional impairment allowance for other loan receivables of HK\$80,880,000 (six months ended 30 September 2019: HK\$220,382,000) is necessary to appropriately reflect the ECL (Note 24).

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

## 15. STOCK OF PROPERTIES

	30.9.2020 HK\$'000 (unaudited)	31.3.2020 HK \$'000 (audited)
Properties under development for sale	<b>1,181,693</b>	1,132,610
Completed properties held for sale	<b>202,828</b>	199,813
	<b>1,384,521</b>	1,332,423

As at 30 September 2020, stock of properties included an amount of approximately HK\$711,536,000 (31 March 2020: HK\$1,132,610,000) which is expected to be realised after twelve months from the end of the reporting period.

## 16. DEBTORS, DEPOSITS AND PREPAYMENTS

The Group's credit terms are negotiated at terms determined and agreed with its trade customers. The Group allows an average credit period of 60 days (31 March 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 dates at the end of the reporting period:

	30.9.2020 HK\$'000 (unaudited)	31.3.2020 HK \$'000 (audited)
Trade debtors aged:		
0 – 60 days	<b>1,531</b>	3,474
61 – 90 days	<b>37</b>	–
Over 90 days	<b>5</b>	5
	<b>1,573</b>	3,479
Refundable earnest money (note i)	<b>23,168</b>	21,884
Other debtors, deposits and prepayments (note ii)	<b>172,560</b>	185,537
	<b>197,301</b>	210,900

notes:

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

The management of the Group has concluded that for the six months ended 30 September 2020, impairment allowance for other receivables included in debtors, deposits and prepayments of HK\$8,297,000 (six months ended 30 September 2019: HK\$14,854,000) is necessary to appropriately reflect the ECL (Note 24).

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

## 17. DEBT INVESTMENTS

The amounts mainly represented listed bonds and interest rate linked notes which are accounted for as financial assets at FVTPL as they are managed and evaluated on a fair value basis. Their fair values are determined based on the quoted prices for identical assets in the market that are not active.

## 18. 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 (collectively the "Disposal Group"), which respectively holds and operates Le Petit Rosedale Hotel Hong Kong consisting of 94 guest rooms, at a cash consideration of HK\$460.0 million (the "Disposal"). Completion of the Disposal is expected to take place on 31 December 2020. The assets and liabilities attributable to the Disposal Group, that are expected to be sold within twelve months, have been classified as a disposal group held for sale and are presented separately in the condensed consolidated statement of financial position.

The net sale proceeds of the Disposal are expected to exceed the net carrying amount of the relevant assets and liabilities and accordingly, no impairment loss has been recognised.

The major classes of assets and liabilities of the Disposal Group 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	60
	<hr/>
Total assets classified as held for sale	340,573
	<hr/>
Bank borrowings	297,633
Creditors, deposits and accrued charges	1,412
	<hr/>
Total liabilities associated with assets classified as held for sale	299,045
	<hr/>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

## 19. 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 table below is an aged analysis of trade creditors presented with reference to the invoice dates at the end of the reporting period. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

	30.9.2020 HK\$'000 (unaudited)	31.3.2020 HK\$'000 (audited)
Trade creditors, aged 0 – 60 days	–	1,287
Deposits received on sales of properties (note)	<b>7,269</b>	–
Other creditors, deposits and accrued charges	<b>176,324</b>	175,581
Accrued coupon interest on loan notes	<b>32,453</b>	33,861
	<b>216,046</b>	210,729

note: The Group receives payments from customers based on payment schedules set out in contracts. The Group receives certain percentage of the agreed transaction price as a deposit when the Group signs a contract with the customers. All such deposits received are recognised as contract liabilities until the Group satisfies its performance obligations by transferring the control of the properties to the customers, at which time the contract liabilities are recognised as revenue.

Other creditors, deposits and accrued charges include advances from non-controlling interests of HK\$113,098,000 (31 March 2020: HK\$84,305,000) which were non-trade in nature, unsecured, interest-free and had no fixed term of repayment.

## 20. BANK BORROWINGS

During the period, the Group has drawn new bank borrowings amounting to HK\$104,744,000 (six months ended 30 September 2019: HK\$570,546,000) and repaid bank borrowings of HK\$63,538,000 (six months ended 30 September 2019: HK\$310,659,000). The effective interest rate of bank borrowings at the end of the reporting period was 2.03% (31 March 2020: 3.42%) per annum.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

## 21. LOAN NOTES

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

Pursuant to the subscription agreement, the Issuer has the right to redeem the Guaranteed Notes in whole but not in part at the sum of (a) the principal amount outstanding on the Guaranteed Notes; and (b) the outstanding interests up to the date of redemption.

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

The Guaranteed Notes include the values of the early repayment options at the options of the holder and the Issuer which are closely related to the host instrument. Furthermore, the Issuer, the Company or any of their respective subsidiaries may at any time purchase the Guaranteed Notes in the open market or otherwise and at any price.

During the current interim period, the Group repurchased the Guaranteed Notes with the principal amount of US\$7,760,000 (equivalent to a carrying amount of HK\$59,759,000) (30 September 2019: principal amount of US\$1,800,000 (equivalent to a carrying amount of HK\$14,194,000)) at cash consideration of HK\$57,925,000 (30 September 2019: HK\$12,488,000), giving rise to a gain on repurchase amounting to HK\$1,834,000 (30 September 2019: HK\$1,706,000), being the difference between the carrying amounts of the repurchased Guaranteed Notes derecognised and the consideration paid.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

## 22. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
As at 1 April 2019 (audited), 30 September 2019 (unaudited), 1 April 2020 (audited) and 30 September 2020 (unaudited)	40,000,000,000	400,000
Issued and fully paid:		
As at 1 April 2019 (audited)	975,286,943	9,753
Issue of shares – scrip dividend (note (a))	430,061	5
Shares repurchased and cancelled (note (b))	(9,455,000)	(95)
As at 30 September 2019 (unaudited)	966,262,004	9,663
As at 1 April 2020 (audited)	960,655,004	9,607
Issue of shares – scrip dividend (note (c))	2,783,406	28
Shares cancelled (note (d))	(3,263,000)	(33)
As at 30 September 2020 (unaudited)	960,175,410	9,602

notes:

- (a) On 30 August 2019, the Company issued a total of 430,061 new ordinary shares of HK\$0.01 each at an issue price of HK\$1.5897 each in lieu of cash for 2019 second interim dividend.
- (b) During the six months ended 30 September 2019, the Company cancelled a total of 9,455,000 ordinary shares upon repurchase at an aggregate consideration, including direct expenses, of HK\$17,030,000.
- (c) On 28 August 2020, the Company issued a total of 2,783,406 new ordinary shares of HK\$0.01 each at an issue price of HK\$0.8519 each in lieu of cash for 2020 second interim dividend.
- (d) During the six months ended 30 September 2020, the Company cancelled a total of 3,263,000 ordinary shares in relation to ordinary shares repurchased in March 2020 at an aggregate consideration, including direct expenses, of HK\$3,038,000.



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

## 23. SHARE OPTION SCHEME

As disclosed in the announcement of the Company dated 4 April 2018, the Company has granted a total of 27,020,000 share options to the eligible participants to subscribe for the shares of the Company under the share option scheme adopted on 17 August 2012, with vesting period ranging from 1 to 2 years. The Group recognised a total expense of HK\$8,000 (six months ended 30 September 2019: HK\$494,000) in relation to the share options granted by the Company on 4 April 2018 in the condensed consolidated financial statements for the current interim period.

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

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

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

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

The following table sets out the details of the Company's share options held by Directors, employees and other participants, and movements in such holdings during the current interim period and prior years:

Date of grant	Vesting proportion	Vesting period	Exercisable period	Exercise price per share (subject to adjustments) HK\$	Number of share options				
					Outstanding at 1.4.2019	Cancelled/ lapsed during the year	Outstanding at 31.3.2020	Cancelled/ lapsed during the period	Outstanding at 30.9.2020
Directors:									
4.4.2018	50%	4.4.2018 – 3.4.2019	4.4.2019 – 3.4.2022	2.57	8,300,000	–	8,300,000	–	8,300,000
	50%	4.4.2018 – 3.4.2020	4.4.2020 – 3.4.2022	2.57	8,300,000	–	8,300,000	–	8,300,000
Employees:									
4.4.2018	50%	4.4.2018 – 3.4.2019	4.4.2019 – 3.4.2022	2.57	3,440,000	(185,000)	3,255,000	(60,000)	3,195,000
	50%	4.4.2018 – 3.4.2020	4.4.2020 – 3.4.2022	2.57	3,440,000	(185,000)	3,255,000	(60,000)	3,195,000
Other participants (note):									
4.4.2018	50%	4.4.2018 – 3.4.2019	4.4.2019 – 3.4.2022	2.57	1,650,000	–	1,650,000	–	1,650,000
	50%	4.4.2018 – 3.4.2020	4.4.2020 – 3.4.2022	2.57	1,650,000	–	1,650,000	–	1,650,000
					<u>26,780,000</u>	<u>(370,000)</u>	<u>26,410,000</u>	<u>(120,000)</u>	<u>26,290,000</u>
					–		13,205,000		26,290,000
					<u>2.57</u>	<u>2.57</u>	<u>2.57</u>	<u>2.57</u>	<u>2.57</u>

note: The other participants are consultants of the Group.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

## 24. MEASUREMENT OF ECL ALLOWANCES

	Six months ended 30 September	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Impairment losses recognised (reversed) in respect of		
– Other loan receivables	80,880	220,382
– Other receivables included in other non-current assets	57	(2,419)
– Other receivables included in debtors, deposits and prepayments	8,297	14,854
	<b>89,234</b>	<b>232,817</b>

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months ended 30 September 2020 are the same as those used in the preparation of the Group's consolidated financial statements for the year ended 31 March 2020.

During the current interim period, the Group provided impairment allowance of HK\$89,234,000 in which impairment loss allowances of HK\$64,000,000 and HK\$4,548,000 have been made to the Group's unsecured fixed-rate loan receivable and its related interest receivable, being considered as credit-impaired (31 March 2020: credit-impaired). As at 30 September 2020, after netting off credit loss allowances for ECL of HK\$304,000,000 and HK\$21,601,000, the carrying amounts of such unsecured fixed-rate loan receivable and interest receivable were HK\$16,000,000 and HK\$1,137,000, respectively. These loan receivable and interest receivable are due from Master Glory Group Limited ("Master Glory"), whose shares are listed on the Stock Exchange and have been suspended for trading on the Stock Exchange since 2 July 2019. During the current interim period, Master Glory was ordered to be wound up by the High Court of Hong Kong Special Administrative Region and liquidators were appointed. In view of the additional negative facts and circumstances as at 30 September 2020 as compared to that as at 31 March 2020, the Directors considered that further impairment loss allowances as disclosed above were necessary.

## 25. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

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

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

## 25. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

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

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

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
	30.9.2020 HK\$'000 (unaudited)	31.3.2020 HK\$'000 (audited)				
<b>Financial assets at FVTPL</b>						
Listed equity securities	<b>33,010</b>	29,935	Level 1	Quoted closing prices in an active market	N/A	N/A
Listed equity securities (note (iii))	–	–	Level 3	Market approach which uses relevant information generated by certain companies with comparable businesses	Estimated number of operating cinemas and estimated number of operating screens	An increase in the estimated number of operating cinemas and estimated number of operating screens would result in an increase in fair value, and vice versa
Unlisted investment funds in overseas (note (i))	<b>95,731</b>	95,897	Level 3	Net asset values of the unlisted equity and partnership investments that are the deemed resale price of the investments provided by the external counterparties	Net asset value	An increase in the net asset value would result in an increase in fair value, and vice versa
Unlisted equity interest in PRC (note (i))	<b>143,540</b>	129,088	Level 3	Income approach which uses discounted cash flow method to capture the present value of the expected future economic benefits to be derived from the operation of the business, based on an appropriate discount rate	Operating cash flow	An increase in the operating cash flow would result in an increase in fair value, and vice versa
Listed bond and interest rate linked notes	<b>72,586</b>	80,145	Level 2	Quoted prices in market that are not active	N/A	N/A
<b>Financial assets at FVTOCI</b>						
Listed equity securities	<b>9,557</b>	9,982	Level 1	Quoted closing prices in an active market	N/A	N/A
Unlisted equity securities (note (i) & (ii))	<b>18,900</b>	23,800	Level 3	Market approach which uses relevant information generated by certain companies with comparable businesses	Minority and marketability discount of 25% (31.3.2020: 25%) (note (ii))	A significant increase in the minority and marketability discount would result in a significant decrease in fair value, and vice versa

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

## 25. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

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

notes:

- (i) Reconciliation of Level 3 fair value measurement of financial assets is as follows:

	Financial assets at FVTPL		Financial asset at FVTOCI	Total HK\$'000
	Unlisted investment funds HK\$'000	Unlisted equity interest HK\$'000	Unlisted equity securities HK\$'000	
As at 1 April 2019 (audited)	95,596	–	27,200	122,796
Total gains (losses), recognised in:				
– profit or loss	2,713	–	–	2,713
– other comprehensive expense	–	–	(900)	(900)
As at 30 September 2019 (unaudited)	98,309	–	26,300	124,609
As at 1 April 2020 (audited)	95,897	129,088	23,800	248,785
Total (losses) gains, recognised in:				
– profit or loss	(166)	14,452	–	14,286
– other comprehensive expense	–	–	(4,900)	(4,900)
As at 30 September 2020 (unaudited)	95,731	143,540	18,900	258,171

- (ii) The fair values of the unlisted equity securities as at 30 September 2020 and 31 March 2020 are determined by independent professional valuers, using the market approach. A 5% increase/decrease in the minority and marketability discount holding all other variables constant would decrease/increase the carrying amount of the unlisted equity securities by HK\$1,200,000/HK\$1,300,000 (31 March 2020: decrease/increase by HK\$1,600,000).
- (iii) Following the suspension of trading of the related equity securities and due to a lack of quoted closing prices or recent transaction prices in the market, the quoted closing price of certain listed equity securities was no longer available and thus the fair value of such listed equity securities was measured using a valuation technique performed by independent professional valuers with significant unobservable inputs made by the management and hence classified as Level 3 of the fair value hierarchy as at 31 March 2020. As at 30 September 2020, the fair value of which was determined based on the same valuation technique by the management. As at 30 September 2020, an approximately 20% (31 March 2020: 20%) increase in the number of operating screens, holding all other variables constant, would result in zero (31 March 2020: zero) increase in fair value of the Level 3 suspended listed equity securities.

There was no other transfer amongst Level 1, Level 2 and Level 3 for both periods.

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

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

## 26. CAPITAL AND OTHER COMMITMENTS

	30.9.2020 HK\$'000 (unaudited)	31.3.2020 HK\$'000 (audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of:		
– investment properties	1,108	3,070
– equity and fund investments	<b>33,997</b>	34,014
	<b>35,105</b>	37,084
Other commitments:		
– stock of properties	63,624	50,850
– investment in associates	106,200	391,200
– investment in joint ventures	11,267	11,449
– loan to joint ventures	42,251	42,933
– capital contribution in a company for a proposed land development in Vietnam	9,820	9,820
	<b>233,162</b>	506,252
	<b>268,267</b>	543,336

## 27. FINANCIAL GUARANTEE CONTRACTS

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

	30.9.2020 HK\$'000 (unaudited)	31.3.2020 HK\$'000 (audited)
a 40% – owned associate	565,707	565,707
a 50% – owned joint venture	58,000	58,000
a 40% – owned joint venture	294,400	307,200
a 28% – owned joint venture in Canada	227,046	214,463
a 50% – owned joint venture in Canada	540,655	511,775
	<b>1,685,808</b>	1,657,145

The amounts disclosed above represent the aggregate amounts that could be required to be paid if the guarantees were called upon in entirety as at 30 September 2020, of which credit facilities amounting to HK\$1,382,810,000 (31 March 2020: HK\$1,355,123,000) have been utilised by the joint ventures and associate.

As at 30 September 2020 and 31 March 2020, the ECL for outstanding financial guarantees are assessed to be immaterial.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

## 28. RELATED PARTY DISCLOSURES

### (i) Compensation of key management personnel:

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

	Six months ended 30 September	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Short-term benefits	<b>7,675</b>	7,986

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

### (ii) Related party transactions:

During the period, the Group entered into the following transactions in the ordinary course of business with related parties:

Related parties	notes	Nature of transactions	Six months ended 30 September	
			2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
<i>Joint ventures:</i>				
Fortress State International Limited ("Fortress State")	(a)	Cash payment on lease	–	40,000
1488 Alberni LPDH (as defined in Note 12)		Interest income	<b>10,952</b>	10,770
1488 Alberni LPI (as defined in Note 12)		Interest income	<b>576</b>	567
Pro Gain Limited		Secondment fee income	<b>716</b>	–
Pro Gain Limited		Hotel management fee income	<b>181</b>	–
<i>Associates:</i>				
Macau Properties Holdings Limited		Rental income	<b>587</b>	587
Concordia (as defined in Note 13)		Management fee income	<b>60</b>	60
<i>Other related companies:</i>				
Hi Park Limited ("Hi Park")	(b)	Short-term lease expense	<b>14</b>	14
		Licence fee income	<b>300</b>	299
		Rental income and management fee income	<b>587</b>	394
Vectr Ventures Limited ("Vectr")	(c)	Rental income and management fee income	<b>233</b>	544

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

## 28. RELATED PARTY DISCLOSURES *(Continued)*

notes:

- (a) The lease contract with Fortress State expired on 31 March 2020.
- (b) Mr. Cheung Hon Kit, an executive director, is a shareholder of Hi Park.
- (c) Vectr is controlled by Mr. Chan Yiu Lun, Alan, being an executive director.

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

Board	the board of Directors
CG Code	the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules
Company	ITC Properties Group Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the main board of the Stock Exchange (Stock Code: 199)
Director(s)	the director(s) of the Company
Group	the Company and its subsidiaries
HK\$	Hong Kong dollars, the lawful currency of Hong Kong
Hong Kong	Hong Kong Special Administrative Region of the PRC
Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange as amended, supplemented or otherwise modified from time to time
Macau	Macau Special Administrative Region of the PRC
Model Code	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
Period	the six months ended 30 September 2020
PRC	the People's Republic of China, and for the purpose of this interim report, excluding Hong Kong, Macau and Taiwan
SFO	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
Share(s)	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
Shareholder(s)	holder(s) of the Share(s)
Share Option Scheme	the existing share option scheme of the Company adopted on 17 August 2012



## DEFINITIONS

sq. ft.	square feet
Stock Exchange	The Stock Exchange of Hong Kong Limited
US\$	United States dollars, the lawful currency of the United States
%	per cent.

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



德祥地產集團有限公司

**ITC PROPERTIES GROUP LIMITED**

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