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德祥地產集團有限公司*

ITC PROPERTIES GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 199)

INTERIM RESULTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2024

FINANCIAL HIGHLIGHTS

(All in Hong Kong dollar)

	Six months ended	
	30.9.2024	30.9.2023
Revenue		
Per condensed consolidated statement of profit or loss	\$10 million	\$101 million
Property income and hotel revenue		
– share of associates and joint ventures	\$297 million	\$324 million
– by way of disposal of interest in a joint venture	\$107 million	–
	<u>\$414 million</u>	<u>\$425 million</u>
Loss for the period attributable to owners of the Company	<u>\$(504) million</u>	<u>\$(161) million</u>
Basic loss per share	<u>(56) cents</u>	<u>(18) cents</u>
Net asset value per share	<u>\$2.7</u>	<u>\$3.7</u>

* For identification purpose only

The board of directors (the “**Directors**”) (the “**Board**”) of ITC Properties Group Limited (the “**Company**”) is pleased to present the interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 September 2024 (the “**Period**”).

BUSINESS REVIEW

The ongoing geopolitical tensions and persistent inflation have led to a slowdown in the global economy and business activities. Also due to the financial pressures and downturn of the real estate market, the Group continues to review its business model and adjust its agility. Since there was no disposal of stock of properties owned by the Group during the Period, the Group’s revenue for the Period decreased by HK\$91.1 million to HK\$9.7 million, as compared with that of HK\$100.8 million for the last corresponding period.

During the Period, the Group continued to carefully mitigate its liquidity position and improve its financial standing. In August, the Group disposed of all its 50% equity interests in Bayshore Ventures JV Ltd., which indirectly held and operated a hotel, The Westin Bayshore, in Canada. Although such disposal resulted in a loss on disposal of interest in a joint venture of HK\$220.4 million for the Period, a cash inflow alleviated the Group’s going concern issues and pressure to meet its immediate cash obligations. Also, Bayshore Ventures JV Ltd. had a bank loan of CAD175.0 million which was due to mature in October 2024 and 50% of such bank loan of CAD87.5 million (equivalent to approximately HK\$505.0 million) was guaranteed by the Group. The disposal has mitigated the Group’s refinancing risk exposure.

In addition, subsequent to the end of the Period, the Group also disposed of (i) 10% equity interests in 1488 Alberni Investment Limited Partnership and 1488 Alberni Development Holdings Limited Partnership; (ii) 10% of the loan and accrued interest owing by the said limited partnerships to the limited partners and/or their affiliates and (iii) 10% equity interests in Assets Builder Investments Limited. Such disposal realised part of the Group’s investment in the project and recouped the Group’s resource for the repayment of indebtedness and necessary payment obligations.

In the meantime, under the slowdown and uncertainties in global investment market, coupled with fundamental challenges in the commercial building sector, the Group recorded a decrease in the value of the Group’s properties for the Period, resulting in (i) impairment losses of stock of commercial properties, which consisted of Hong Kong and overseas properties, recognised in cost of sales of HK\$85.0 million (30.9.2023: nil); (ii) the recognition of a decrease in fair value of an investment commercial property of the Group of HK\$45.0 million (30.9.2023: HK\$35.0 million); (iii) impairment losses of property, plant and equipment of the Group of HK\$11.5 million (30.9.2023: nil) and (iv) a share of decrease in fair value of a commercial property located in the People’s Republic of China (the “**PRC**”), which is held by a joint venture of the Group, of HK\$43.9 million (30.9.2023: HK\$60.8 million). As a result, the Group recorded a net loss attributable to owners of the Company of HK\$504.3 million for the Period, as compared with that of HK\$161.0 million for the last corresponding period.

The Board decided not to declare an interim dividend for the Period (2023: nil).

Property

Segment loss for the Period of HK\$229.3 million was recorded, as compared with that of HK\$103.1 million for the last corresponding period. As disclosed above, the increase in loss was attributable to impairment losses of stock of commercial properties of HK\$85.0 million, a decrease in fair value of investment properties of HK\$45.0 million, impairment losses of property, plant and equipment of HK\$11.5 million and a share of decrease in fair value of a commercial property located in the PRC, which is held by a joint venture of the Group, of HK\$43.9 million for the Period.

Macau

Grand Oasis in Cotai South is a luxury residential project developed by an associate of the Group. Despite the abolition of punitive stamp duties in April 2024, the property market in Macau continued to be sluggish. The contribution from this project to the Group decreased to HK\$33.0 million for the Period (30.9.2023: HK\$43.0 million).

Hong Kong

With respect to the redevelopment project located at Nos. 21, 23, 25, 27, 29 and 31 Sheung Heung Road, To Kwa Wan, in which the Group has 72% interests, the property was demolished in August 2022. The Group has accepted most of the provisional basic terms for land exchange to residential and commercial land and is undergoing negotiations for land premium assessment with the Lands Department.

High Peak is a deluxe residential project located at No. 23 Po Shan Road, Mid-levels, in which the Group has 20% interests. One deluxe residential unit was sold and handed over to the end buyer during the last financial year and one deluxe residential unit was sold in October 2024.

The PRC

Dabiao International Centre is a composite tower, comprising a commercial podium, offices and a hotel, situated in Guangzhou City and conveniently connected to the Changgang Metro Station. Its occupancy rate for the Period remained stable.

Overseas

London, United Kingdom

The property at Greycoat Place was redeveloped into a mixed residential and commercial tower, with its practical certificate obtained in August 2023. We are actively seeking potential buyers for the whole building.

Vancouver, Canada

The residential redevelopment project at Alberni Street, in which the Group had 28% interests as at 30 September 2024, is in the course of obtaining the development and building permits from the local authority. Subsequent to the end of the Period, the Group disposed of its 10% interests to its existing partners of this project, details of which are described in the section headed “EVENT AFTER THE END OF THE REPORTING PERIOD” below. Upon this disposal, the Group still retains an 18% interest in this project.

Hotel and Leisure

Segment loss of HK\$225.6 million was recorded for the Period (30.9.2023: HK\$12.1 million) due to a loss on disposal of 50% equity interests in a joint venture of the Group, which indirectly owned a hotel, The Westin Bayshore, in Canada of HK\$220.4 million.

Rosedale Hotel Beijing Co., Ltd., the PRC

As disclosed in the annual report of the Company for the year ended 31 March 2024, the Group has 20% equity interests in Rosedale Hotel Beijing Co., Ltd. (北京珀麗酒店有限公司) (“**Rosedale Beijing**”), a sino-foreign joint venture company established in the PRC and an associate of the Group, which held a piece of land located at No. 8, Jiang Tai Road West, Chaoyang District, Beijing, the PRC (the “**Land**”). After considering the unfavourable situations, the Group recognised a full impairment loss of interest in the associate of HK\$136.2 million for the financial year ended 31 March 2024.

During the Period, the Group monitored the situations and considered the following incidents:

1. Possibility that the Land will be reclaimed

The redevelopment of the Land has been suspended, and there is a possibility that if the property is designated as idle land, it could be reclaimed by the relevant authorities. Such a development would likely reduce the value of Rosedale Beijing’s land holding substantially and this may render it worthless.

2. Lack of resource for redevelopment

Without the support or co-operation by the major shareholder holding the remaining 80% equity interests in Rosedale Beijing (the “**Major Shareholder**”), the availability of resources for the Land’s redevelopment will be hindered, preventing any meaningful progress from being made. This situation not only diminishes the value of the Land but also likely eliminates the possibility of generating any revenue from it.

3. Issues with the Major Shareholder

The daily operation of Rosedale Beijing is controlled by the Major Shareholder without involving the Group. During the Period, the Group has issued a demand legal but no response was received. Thus, the Group has formally initiated legal proceeding against Rosedale Beijing and submitted the relevant documents to the PRC court for breach of the relevant provisions of the Company Law of the PRC, and demanded for all statutory documents and accounting records of Rosedale Beijing. The legal proceeding was duly filed and is currently pending case establishment.

4. Maximum potential loss of the Group

Rosedale Beijing, being a limited liability company and an associate of the Group, does not have any guarantees provided by the Group. Consequently, the Company has assessed the minimum realisable value as zero, leading to a total loss of the Group's carrying cost of HK\$136.2 million as at 31 March 2024.

After considering the above incidents and ongoing legal proceeding, as the situations of Rosedale Beijing have not improved, the Board is of the view that there were no signs of recovering the cost as at 30 September 2024. Thus, the Group continues to remain the carrying amount of the interest in Rosedale Beijing as nil as at 30 September 2024.

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

Location	Usage	Group's interests (%)	Attributable gross floor area ⁽¹⁾ (sq. ft.)
Macau			
One Oasis, Sky Oasis and Grand Oasis situated at Estrada de Seac Pai Van, Coloane	Residential/ Commercial	35.5	328,000
Sub-total			328,000
Hong Kong			
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/ Commercial	72	58,900 ⁽²⁾
High Peak situated at No. 23 Po Shan Road, Mid-levels	Residential	20	15,300
Sub-total			129,800

Location	Usage	Group's interests (%)	Attributable gross floor area ⁽¹⁾ (sq. ft.)
The PRC			
Land situated at the Yazhou Bay Science and Technology City, Sanya City, Hainan Province ⁽³⁾	Hotel	100	886,000
Portions of Dabiao International Centre situated at No. 362 Jiangnan Avenue South and No. 238 Changgang Zhong Road, Haizhu District, Guangzhou City	Commercial/ Office/Hotel/ Car parks	45	282,600
Sub-total			1,168,600
Overseas			
Redevelopment property situated at 18, 19 and 20 Greycoat Place, London, United Kingdom	Residential/ Commercial	90.1	39,000
Redevelopment project situated at 1444 Alberni Street, 711 Broughton Street and 740 Nicola Street, Vancouver, British Columbia, Canada	Residential/ Commercial	18 ⁽⁴⁾	110,000
Sub-total			149,000
Total			1,775,400

Notes:

- (1) This represented the area under the existing use.
- (2) This represented the area under the provisional basic terms for land exchange to residential and commercial land.
- (3) The Group paid the deposits for the acquisition of leasehold land for property development.
- (4) The Group disposed of 10% interests after the end of the Period.

Securities Investments

The investment markets experienced volatility due to the potential for a global economic recession and the ongoing geopolitical risks. These factors collectively impacted corporate earnings, leading to a decline in the Group's investment fair value. Segment loss of HK\$15.8 million was recorded for the Period (30.9.2023: HK\$16.8 million). Such loss represented mainly the unrealised loss arising from the drop in market prices.

As at 30 September 2024, the Group had equity and fund investments in aggregate of HK\$44.0 million, 67% being unlisted securities and funds denominated in United States dollars and the remaining 33% being listed securities denominated in Hong Kong dollars.

Finance

As at 30 September 2024, other loan receivables of the Group amounted to HK\$114.6 million (31.3.2024: HK\$121.0 million).

For the Period, the Group saw a segment loss of HK\$2.3 million (30.9.2023: profit of HK\$4.6 million), which was mainly attributable to an interest income of HK\$5.1 million (30.9.2023: HK\$5.7 million) and a loss allowance for expected credit loss of HK\$7.4 million (30.9.2023: HK\$1.0 million) provided on loan receivables (together with the outstanding interest accrued thereon) in accordance with the accounting policies adopted by the Group.

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 2024, the Group had total bank and other borrowings of HK\$1,182.9 million. After netting off cash and cash equivalents of HK\$17.2 million and comparing with the shareholders' funds of the Group of HK\$2,469.3 million, the Group's net gearing ratio as at 30 September 2024 was 0.47 (31.3.2024: 0.46). Bank borrowings of HK\$935.0 million carried interest at floating rate and the other borrowings of HK\$247.7 million carried interest at fixed rate. 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 2024, the Group's total borrowings amounting to HK\$982.9 million will be due for repayment in the coming twelve month, of which HK\$396.0 million was overdue. The Group is actively seeking new sources of financing and loan facilities, and will continue to closely monitor its liquidity and working capital requirements to ensure appropriate financing arrangements are made when necessary.

For the Period, the Group reported a loss attributable to owners of the Company of HK\$504.3 million and had a net operating outflow of HK\$58.6 million. Also, as at 30 September 2024, the Group's aggregate bank and other borrowings amounted to HK\$1,182.9 million while the Group had cash and cash equivalents amounting to HK\$17.2 million. These conditions indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern. The Company has been undertaking a number of plans and measures, including the following, to improve the Group's liquidity and financial position.

(1) Disposal of properties/joint ventures/associates

The Group continues to sell specific properties/joint ventures/associates as a strategic move in order to realise the tied-up capital and value. This strategy will allow the Group to efficiently manage its assets, potentially enhance its liquidity and provide additional resources.

As mentioned above, on 28 August 2024, the Group disposed of all its 50% interests in a joint venture which indirectly owned and operated a hotel in Canada at a consideration of CAD18.5 million (equivalent to approximately HK\$106.8 million). Such disposal generated a cash inflow of approximately HK\$34.6 million to the Group on completion and up to the date of this announcement. The remaining cash consideration of CAD12.5 million (equivalent to approximately HK\$72.2 million) will be received by the Group.

On 31 October 2024, the Group also entered into certain agreements to dispose of its 10% interests in joint ventures which indirectly held the beneficial interests in a piece of land located in Canada together with certain amounts due from these joint ventures at an aggregate consideration of CAD5.36 million (equivalent to approximately HK\$30.6 million). Such disposal generated a cash inflow of approximately HK\$30.6 million to the Group on completion.

(2) Seeking refinancing

The Group continues actively to seek for refinance for the existing facilities before maturity. Up to the date of this announcement, the Group has not received any demand for immediate payment of its borrowing of HK\$396.0 million which was overdue during the Period, of which HK\$4.7 million was repaid subsequently. The Group continues to negotiate with the other lenders for refinancing such borrowings.

(3) Control on administrative and operating costs

The Group continues to take active measures to control the administrative and operating costs through various channels.

The Directors are of the opinion that, after taking into account the above-mentioned plans and measures, the liquidity needs of the Group will be managed and the financial position of the Group will be improved. Also, the Group will have sufficient working capital to finance its operations and meet its financial obligations if they fall due within twelve months from the date of approval of the condensed consolidated financial statements. Accordingly, the Directors have, at the time of approving the condensed consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, the Directors continue to adopt the going concern basis of accounting in preparing the condensed consolidated financial statements.

For overseas subsidiaries, associates, joint ventures and other investments with cash flows denominated in foreign currencies, the Group endeavours to establish a natural hedge for debt financing with an appropriate level of borrowings in the same currencies. In this respect, the borrowings of the Group and its associates and joint ventures, to which the Group has provided guarantees, are denominated in Hong Kong dollars, Canadian dollars and Pound Sterling. For the Period, an unrealised gain on exchange differences of HK\$22.6 million was credited as other comprehensive income, mainly arising from translations of operations in the United Kingdom and the PRC due to the appreciation of Pound Sterling and Renminbi. A majority of the Group's cash and cash equivalents are denominated in Hong Kong dollars and Pound Sterling 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.

Pledge of Assets

As at 30 September 2024, the Group's general credit facilities granted by banks were secured by pledges of the Group's investment properties of HK\$424.0 million, property, plant and equipment of HK\$146.0 million, stock of properties of HK\$442.1 million, interests in associates and amounts due from associates of HK\$1,015.5 million, and equity interests in certain subsidiaries and other receivables of HK\$286.9 million.

Contingent Liabilities

As at 30 September 2024, the Group provided corporate guarantees on a several basis with maximum liabilities of (i) HK\$91.1 million (31.3.2024: HK\$91.1 million) and HK\$225.5 million (31.3.2024: HK\$225.7 million) in respect of the banking facilities granted to two joint ventures (which were owned as to 50% and 28% by the Group respectively) with the outstanding amounts attributable to the Group's interests of HK\$45.1 million (31.3.2024: HK\$40.8 million) and HK\$138.4 million (31.3.2024: HK\$138.5 million); and (ii) HK\$242.5 million (31.3.2024: HK\$242.5 million) in respect of the banking facilities granted to an associate (which was owned as to 20% by the Group) with the outstanding amount attributable to the Group's interest of HK\$242.5 million (31.3.2024: HK\$242.5 million).

EVENT AFTER THE END OF THE REPORTING PERIOD

On 31 October 2024, the Group entered into certain agreements for disposing of its 10% interests in joint ventures of the Group, Assets Builder Investments Limited and the relevant limited partnerships (i.e. 1488 Alberni Development Holdings Limited Partnership and 1488 Alberni Investment Limited Partnership) together with certain amounts due from these joint ventures to one of joint venture partners at an aggregate consideration of CAD5.36 million. The disposal was completed on 31 October 2024. The Group will have an estimated loss on the disposal of approximately HK\$108.8 million. Further details of such disposal were disclosed in the Company's announcement dated 31 October 2024.

PROSPECTS

The global environmental market is facing significant challenges amid a complex economic landscape. The Group anticipates continued uncertainties in the global property market due to the generally worsening economic environment. Additionally, the US may impose tariffs, which could lead to higher inflation and keep interest rates elevated for a period of time, potentially suppressing global growth. Inevitably, the Group continues to face business challenges in the second half of the year. In response, the Group will continue to adopt a cautious approach, review its business strategies, refine its business model, and improve the efficiency and effectiveness of its operations. We will focus on selling our property projects to realise tied-up capital and secure the Group's revenue. These actions could enhance our liquidity and financial flexibility, enabling us to better navigate the current challenging business environment. Meanwhile, apart from our businesses in the PRC, Macau, Canada and the United Kingdom, we will cautiously explore potential property development projects and carefully assess and select attractive opportunities to replenish the Group's portfolio.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2024

		Six months ended	
	<i>Notes</i>	30.9.2024	30.9.2023
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Revenue	3	<u>9,697</u>	<u>100,848</u>
Property income		4,631	95,138
Direct cost for property income		<u>(87,164)</u>	<u>(94,076)</u>
Gross (loss) profit for property income		(82,533)	1,062
Interest revenue from loan financing		5,066	5,710
Net fair value loss on financial instruments		(15,108)	(16,190)
Other income, gains and losses		9,580	6,011
Reversal (recognition) of impairment losses under expected credit loss model, net		14,366	(985)
Loss on disposal of interest in a joint venture	11	(220,408)	–
Decrease in fair value of investment properties		(45,000)	(35,000)
Administrative and general expenses		(106,503)	(70,259)
Finance costs	4	(65,870)	(36,599)
Share of results of associates		25,841	30,402
Share of results of joint ventures		<u>(49,068)</u>	<u>(68,091)</u>
Loss before taxation		(529,637)	(183,939)
Taxation	5	<u>(43)</u>	<u>(65)</u>
Loss for the period	6	<u>(529,680)</u>	<u>(184,004)</u>
Loss for the period attributable to:			
Owners of the Company		(504,298)	(161,039)
Non-controlling interests		<u>(25,382)</u>	<u>(22,965)</u>
		<u>(529,680)</u>	<u>(184,004)</u>
Loss per share	8		
– Basic (HK dollar)		<u>(0.56)</u>	<u>(0.18)</u>
– Diluted (HK dollar)		<u>(0.56)</u>	<u>(0.18)</u>

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME**
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2024

	Six months ended	
	30.9.2024	30.9.2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Loss for the period	<u>(529,680)</u>	<u>(184,004)</u>
Other comprehensive income (expense)		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	22,630	(52,487)
Exchange differences arising on translation for associates and joint ventures	(1,337)	(8,376)
Reclassification of cumulative translation reserve upon disposal of interest in a joint venture	<u>29,182</u>	<u>–</u>
Other comprehensive income (expense) for the period	<u>50,475</u>	<u>(60,863)</u>
Total comprehensive expense for the period	<u><u>(479,205)</u></u>	<u><u>(244,867)</u></u>
Total comprehensive expense for the period attributable to:		
Owners of the Company	(457,443)	(209,159)
Non-controlling interests	<u>(21,762)</u>	<u>(35,708)</u>
	<u><u>(479,205)</u></u>	<u><u>(244,867)</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 SEPTEMBER 2024

	<i>Notes</i>	30.9.2024 <i>HK\$'000</i> (unaudited)	31.3.2024 <i>HK\$'000</i> (audited)
Non-current assets			
Property, plant and equipment		164,985	430,089
Investment properties		424,000	469,000
Equity and fund investments		29,678	34,942
Interests in joint ventures		57,333	366,534
Amounts due from joint ventures		876,833	890,350
Interests in associates	<i>10</i>	933,868	908,025
Amount due from an associate		46,002	36,802
Other non-current assets		18,317	58,334
		2,551,016	3,194,076
Current assets			
Deposit paid for acquisition of leasehold land		286,918	280,087
Stock of properties		921,944	1,001,426
Other loan receivables		114,616	120,977
Debtors, deposits and prepayments	<i>9</i>	149,218	68,573
Amount due from an associate		35,630	35,630
Equity and fund investments		14,339	24,385
Restricted bank balance		12,115	–
Cash and cash equivalents		17,222	24,743
		1,552,002	1,555,821
Current liabilities			
Creditors, deposits and accrued charges		236,528	236,678
Amount due to a joint venture		20,323	20,323
Tax payables		58,670	58,670
Lease liabilities		8,941	1,876
Bank and other borrowings		982,891	1,037,910
		1,307,353	1,355,457
Net current assets		244,649	200,364
Total assets less current liabilities		2,795,665	3,394,440

	30.9.2024 <i>HK\$'000</i> (unaudited)	31.3.2024 <i>HK\$'000</i> (audited)
Non-current liabilities		
Lease liabilities	6,511	1,422
Bank and other borrowings	200,000	324,258
	206,511	325,680
	2,589,154	3,068,760
Capital and reserves		
Share capital	9,072	9,072
Reserves	2,460,243	2,921,034
Equity attributable to owners of the Company	2,469,315	2,930,106
Non-controlling interests	119,839	138,654
	2,589,154	3,068,760

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2024

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) as well as the applicable disclosure requirements of Appendix D2 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”). The condensed consolidated financial statements should be read in conjunction with the annual audited consolidated financial statements for the year ended 31 March 2024, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

In preparing the condensed consolidated financial statements, the directors of the Company (the “Directors”) have given careful consideration to the future liquidity, the financial position and the available sources of financing of the Group in assessing the Group’s ability to continue as a going concern. The Group reported a loss of HK\$529,680,000 and had a net operating outflow of HK\$58,573,000 for the six months ended 30 September 2024 and, as at that date, the Group’s aggregate bank and other borrowings amounted to HK\$1,182,891,000, of which balances of HK\$982,891,000 were due for settlement within twelve months and were classified as current liabilities while the Group had cash and cash equivalents amounting to HK\$17,222,000. As at 30 September 2024, the Group’s certain bank borrowings with carrying amount of HK\$396,000,000 was overdue.

In view of the above circumstances, the Directors have given careful consideration in going concern. To mitigate the liquidity position of the Group and to improve the financial position of the Group, the Directors have taken certain plans and measures, including:

(i) Disposal of properties/joint ventures/associates

The Group continues to sell specific properties/joint ventures/associates as a strategic move in order to realise the tied-up capital and value. This strategy will allow the Group to efficiently manage its assets, potentially enhance its liquidity and provide additional resources.

On 28 August 2024, the Group disposed of all its 50% interests in a joint venture which indirectly owned and operated a hotel in Canada at a consideration of CAD18.5 million (equivalent to approximately HK\$106.8 million). Such disposal generated a cash inflow of approximately HK\$34.6 million to the Group on completion and up to the date of this announcement. The remaining cash consideration of CAD12.5 million (equivalent to approximately HK\$72.2 million) will be received by the Group.

On 31 October 2024, the Group also entered into certain agreements to dispose of its 10% interests in joint ventures which indirectly held the beneficial interests in a piece of land located in Canada together with certain amounts due from these joint ventures at an aggregate consideration of CAD5.36 million (equivalent to approximately HK\$30.6 million). Such disposal generated a cash inflow of approximately HK\$30.6 million to the Group on completion.

(ii) Seeking refinancing

The Group continues actively to seek for refinance for the existing facilities before maturity. Up to the date of this announcement, the Group has not received any demand for immediate payment of its borrowing of HK\$396,000,000 which was overdue during the six months ended 30 September 2024, of which HK\$4,700,000 was repaid subsequently. The Group continues to negotiate with the other lenders for refinancing such borrowings.

(iii) Control on administrative and operating costs

The Group continues to take active measures to control the administrative and operating costs through various channels.

The Directors are of the opinion that, after taking into account the above-mentioned plans and measures, the liquidity needs of the Group will be managed, and the financial position of the Group will be improved and the Group will have sufficient working capital to finance its operations and meet its financial obligations if they fall due within twelve months from the date of approval of the condensed consolidated financial statements. Accordingly, the Directors have, at the time of approving the condensed consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, the Directors continue to adopt the going concern basis of accounting in preparing the condensed consolidated financial statements.

Notwithstanding the above, significant uncertainties exist as to whether the Group is able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the following: (i) successfully identifying buyer(s) for disposal of specific properties and investments; (ii) successfully completing the refinancing and (iii) successfully implementing costs control, to finance the Group's operations and to meet the Group's financial obligations as and when they fall due.

Should the Group fail to achieve the above-mentioned plans and measures and operate as a going concern, adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in these condensed consolidated financial statements.

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than additional accounting policies resulting from the application of amendments to HKFRSs, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2024 are the same as those presented in the Group's annual consolidated financial statements for the year ended 31 March 2024.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the Group's annual period beginning on 1 April 2024 for the preparation of the condensed consolidated financial statements:

Amendments to HKFRS 16	Lease Liabilities in a Sales and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-Current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

The application of the amendments to HKFRSs in the current interim 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.

3. SEGMENT INFORMATION

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

Property	–	development, selling of and investment in properties
Hotel and leisure	–	investment in hotels
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 2024 (unaudited)

	Segment revenue <i>HK\$'000</i>	Operating loss <i>HK\$'000</i>	Loss on disposal of interest in a joint venture <i>HK\$'000</i>	Share of results of associates <i>HK\$'000</i>	Share of results of joint ventures <i>HK\$'000</i>	Finance costs <i>HK\$'000</i>	Segment results: loss before taxation <i>HK\$'000</i>
Property	4,631	(164,613)	–	25,841	(37,422)	(53,140)	(229,334)
Hotel and leisure	–	(11)	(220,408)	–	(5,203)	–	(225,622)
Securities investments	–	(15,801)	–	–	–	–	(15,801)
Finance	5,066	(2,342)	–	–	–	–	(2,342)
SEGMENT TOTAL	9,697	(182,767)	(220,408)	25,841	(42,625)	(53,140)	(473,099)
Unallocated	–	(37,365)	–	–	(6,443)	(12,730)	(56,538)
GROUP TOTAL	9,697	(220,132)	(220,408)	25,841	(49,068)	(65,870)	(529,637)

For the six months ended 30 September 2023 (unaudited)

	Segment revenue <i>HK\$'000</i>	Operating (loss) profit <i>HK\$'000</i>	Share of results of associates <i>HK\$'000</i>	Share of results of joint ventures <i>HK\$'000</i>	Finance costs <i>HK\$'000</i>	Segment results: (loss) profit before taxation <i>HK\$'000</i>
Property	95,138	(58,402)	36,691	(57,880)	(23,502)	(103,093)
Hotel and leisure	–	(1,789)	(6,289)	(3,994)	(3)	(12,075)
Securities investments	–	(16,819)	–	–	–	(16,819)
Finance	5,710	4,589	–	–	–	4,589
SEGMENT TOTAL	100,848	(72,421)	30,402	(61,874)	(23,505)	(127,398)
Unallocated	–	(37,230)	–	(6,217)	(13,094)	(56,541)
GROUP TOTAL	100,848	(109,651)	30,402	(68,091)	(36,599)	(183,939)

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

4. FINANCE COSTS

	Six months ended	
	30.9.2024	30.9.2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest on bank and other borrowings	65,468	43,948
Interest on lease liabilities	402	96
	<hr/>	<hr/>
Total borrowing costs	65,870	44,044
Less: amounts capitalised in qualifying assets	–	(7,445)
	<hr/>	<hr/>
	65,870	36,599
	<hr/> <hr/>	<hr/> <hr/>

5. TAXATION

	Six months ended	
	30.9.2024	30.9.2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Hong Kong Profits Tax:		
Overprovision in prior years	–	(16)
Canadian Corporate Tax:		
Current tax	43	81
	<hr/>	<hr/>
	43	65
	<hr/> <hr/>	<hr/> <hr/>

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 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 was calculated at the rates prevailing in the relevant jurisdictions.

6. LOSS FOR THE PERIOD

Six months ended	
30.9.2024	30.9.2023
HK\$'000	HK\$'000
(unaudited)	(unaudited)

Loss for the period has been arrived at after charging (crediting):

Cost of inventories recognised as an expense (including impairment losses of stock of properties of HK\$84,951,000 (2023: nil))	84,951	–
Depreciation of property, plant and equipment	7,890	12,334
Impairment losses of property, plant and equipment (included in administrative and general expense)	11,525	–
Loss on disposal of property, plant and equipment	276	12
Bank interest income	(392)	(833)
Other interest income	(10,172)	(9,669)
	<u> </u>	<u> </u>

7. DISTRIBUTION

The Board decided not to declare an interim dividend for the six months ended 30 September 2024 (2023: nil).

8. 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	
30.9.2024	30.9.2023
HK\$'000	HK\$'000
(unaudited)	(unaudited)

Loss:

Loss for the period attributable to owners of the Company for the purpose of basic and diluted loss per share

	<u>(504,298)</u>	<u>(161,039)</u>
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Six months ended	
30.9.2024	30.9.2023
(unaudited)	(unaudited)

Number of shares:

Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share

	<u>907,198,410</u>	<u>910,677,426</u>
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The effect of the exercise of the Company's share options granted on 28 September 2021 was not taken into consideration for computing the diluted loss per share for the six months ended 30 September 2023 and 2024 as the exercise price of those share options was higher than the average market price for shares.

9. DEBTORS, DEPOSITS AND PREPAYMENTS

The Group's credit terms are negotiated at terms determined and agreed with its trade customers. The Group allows an average credit period of 60 days (31.3.2024: 60 days) to its trade customers.

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

	30.9.2024 HK\$'000 (unaudited)	31.3.2024 HK\$'000 (audited)
Trade debtors aged: 0 – 60 days	<u><u>1,001</u></u>	<u><u>1,811</u></u>

10. INTERESTS IN ASSOCIATES

	30.9.2024 HK\$'000 (unaudited)	31.3.2024 HK\$'000 (audited)
Cost of unlisted investment in associates	780,131	780,129
Share of post-acquisition results and other comprehensive income, net of dividend or other return	289,960	264,119
Impairment loss (<i>Note</i>)	<u>(136,223)</u>	<u>(136,223)</u>
	<u><u>933,868</u></u>	<u><u>908,025</u></u>

Note:

While the other shareholder holding 80% interest in Rosedale Beijing (the “Major Shareholder”) had full access to the books and records of Rosedale Beijing, the financial information of Rosedale Beijing has not been provided by the Major Shareholder to the Group. The Group was unable to obtain financial information of Rosedale Beijing to assess the financial performance of Rosedale Beijing for the year ended 31 March 2024 and financial position of Rosedale Beijing as at 31 March 2024. Therefore the Group did not account for any results of Rosedale Beijing shared by the Group for the year ended 31 March 2024. In addition, as set out in the section headed “BUSINESS REVIEW” above, given the current situations including (i) a prolonged property market slowdown together with the uncertainties surrounding the assets of Rosedale Beijing which may no longer be utilised efficiently or effectively and (ii) the ongoing material issues in relation to the Major Shareholder and management of Rosedale Beijing, with these negative events surrounding Rosedale Beijing, the Group determined that a full impairment of HK\$136,223,000 should be recognised in relation to the Group's interest in Rosedale Beijing during the year ended 31 March 2024 with this resulting in the carrying amount of the interest in Rosedale Beijing being reduced to nil in the consolidated statement of financial position as at 31 March 2024, and a full impairment loss of HK\$136,223,000 being recognised in profit or loss for the year ended 31 March 2024.

During the six months ended 30 September 2024, the Group has issued a demand legal but no response was received. Thus, the Group has formally initiated legal proceeding against Rosedale Beijing and submitted the relevant documents to the PRC court for breach of the relevant provisions of the Company Law of the PRC, and demanded for all statutory documents and accounting records. The legal proceeding was duly filed and is currently pending case establishment.

As the situations of Rosedale Beijing have not improved, the Group determined that the carrying amount of the interest in Rosedale Beijing remained as nil in the condensed consolidated statement of financial position as at 30 September 2024.

11. LOSS ON DISPOSAL OF INTEREST IN A JOINT VENTURE

During the six months ended 30 September 2024, the Group disposed of its entire 50% equity interests in Bayshore Ventures JV Ltd. with an aggregate carrying amount CAD50,864,000 (equivalent to HK\$293,586,000), together with the amount due from this joint venture of CAD376,000 (equivalent to HK\$2,169,000) to the joint venture partner, who was an independent third party, at a consideration of CAD18,500,000 (equivalent to HK\$106,781,000) (excluding transaction costs of HK\$2,252,000). Upon the disposal, cumulative transaction loss of HK\$29,182,000 was reclassified to profit or loss. The disposal resulted in a loss on disposal of interest in a joint venture of HK\$220,408,000. The cash consideration of CAD6,000,000 (equivalent to HK\$34,631,000) was settled in full while the remaining cash consideration of CAD12,500,000 (equivalent to HK\$72,150,000) will be received by the Group.

OTHER INFORMATION

Number of Employees and Remuneration Policies

As at 30 September 2024, the total number of employees of the Group was 112 (31.3.2024: 130). Employees are remunerated according to their qualifications and experience, job nature and performance, and under the pay scales aligned with market conditions. Other benefits to employees include medical scheme, insurance coverage, share options and retirement schemes.

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

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

Movement in Issued Shares

During the Period, the Company did not issue nor cancel any shares of the Company (the "Shares"). As at 30 September 2024, there were 907,198,410 Shares in issue and no treasury shares of the Company.

Compliance with Corporate Governance 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 of the Company as well as enhancing the transparency and accountability to the stakeholders.

Throughout the Period, the Company has complied with all the code provisions of the Corporate Governance Code as set out in Part 2 of Appendix C1 to the Listing Rules and applied the principles contained therein, except that (i) the role of the “chief executive” is vacant and (ii) the going concern issue with respect to the consolidated financial statements for the year ended 31 March 2024 of the Company (the “**Going Concern Issue**”) was not discussed in the corporate governance report (the “**CG Report**”) contained in the 2023-2024 annual report of the Company (the “**Annual Report**”). The responsibilities for the operations and business development of the Group are shared by the executive Directors. The Board is of the view that as there is a clear division of responsibilities amongst the executive Directors, the current structure is effective in facilitating the operations and business development of the Group and enabling the Board to discharge its responsibilities satisfactorily. In addition, the independent non-executive Directors contribute valuable views and proposals independently for the Board’s deliberation and decisions. Further, as disclosed in the CG Report, the management’s views on the Going Concern Issue were already discussed in the section headed “Management’s views on the Disclaimer of Opinion in relation to going concern” in the Management Discussion and Analysis of the Annual Report. The Board is of the view that making a cross-reference is sufficient and disclosing the discussion repeatedly in the CG Report would result in particulars of excessive length.

Compliance with Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix C3 to the Listing Rules as its own code of conduct for Directors in their dealings in the securities of the Company. In response to specific enquiries made by the Company, all the Directors confirmed that they have complied with the required standards set out in the Model Code throughout the Period.

Review of Interim Results

The audit committee of the Company has reviewed with the management the accounting principles and practices adopted by the Group, including a review of the interim results for the Period, and discussed financial reporting and internal control matters. The interim results for the Period have not been audited nor reviewed by the Company’s auditor, Deloitte Touche Tohmatsu.

Publication of Interim Results Announcement and Interim Report

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

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

Hong Kong, 27 November 2024

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

Executive Directors:

Mr. Cheung Hon Kit (*Chairman*), Dr. Chan Kwok Keung, Charles (*Joint Vice Chairman*), Mr. Chan Yiu Lun, Alan, Mr. Law Hon Wa, William (*Chief Financial Officer*)

Non-executive Director:

Ms. Chau Mei Wah

Independent Non-executive Directors:

Hon. Shek Lai Him, Abraham, *GBS, JP* (*Joint Vice Chairman*), Mr. Ip Hon Wah, Mr. Pang, Anthony Ming-tung

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