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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)

**ANNUAL RESULTS
FOR THE YEAR ENDED 31 MARCH 2023**

FINANCIAL HIGHLIGHTS

(All in Hong Kong dollar)

	Year ended 31 March	
	2023	2022
Revenue		
Per consolidated statement of profit or loss	\$91 million	\$332 million
Property income and hotel revenue		
– share of associates and joint ventures	\$965 million	\$2,458 million
– by way of disposal of subsidiaries	–	\$354 million
– by way of partial disposal of interest in an associate	–	\$274 million
	<u>\$1,056 million</u>	<u>\$3,418 million</u>
(Loss) profit for the year attributable to owners of the Company	<u>\$(147) million</u>	<u>\$566 million</u>
Basic (loss) earnings per share	<u>(16) cents</u>	<u>59 cents</u>
Dividends per share		
– first interim	–	10 cents
– second interim	–	5 cents
	<u>–</u>	<u>15 cents</u>
Net asset value per share	<u>\$4.0</u>	<u>\$4.2</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 annual results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 March 2023 (the “**Year**”).

BUSINESS REVIEW

As the impact of COVID-19 pandemic continued throughout the Year and the US Federal Reserve repeatedly increased interest rates, it exerted adverse impacts on the fair values of properties in Hong Kong and the Group inevitably faced a challenging business environment. In response to such market conditions, the Group has been carefully reviewing its business model and adjusting its agility. Since a majority of the flats of Hyde Park were handed over to the end buyers in previous years and only a few remaining flats and a commercial shop were handed over during the Year, the Group’s revenue for the Year decreased by 72.7% to HK\$90.8 million (2022: HK\$332.2 million). Coupled with the effects of impairment of stock of properties, gross loss of HK\$21.2 million was recorded for the Year (2022: gross profit of HK\$25.2 million). Also, the Group recorded a decrease in fair value of its investment properties of HK\$24.1 million for the Year.

In addition, due to the fifth wave of the COVID-19 pandemic, the property market in Macau has been further adversely impacted, which in turn affected the sale performance of a residential project in Macau developed by an associate of the Group. Consequently, the contribution from such associate decreased by HK\$958.4 million. Moreover, as the persistent COVID-19 situation has created a challenging business environment, the Group shared an impairment of assets held by an associate established in the People’s Republic of China (the “**PRC**”) of HK\$47.8 million. Collectively, these factors resulted in share of net losses from the Group’s associates of HK\$77.2 million for the Year (2022: share of net profits of HK\$921.7 million).

Conversely, during the Year, the tourism and hospitality industry in Canada is on the path of recovery following the resumption of international travel. The fair value of The Westin Bayshore, a hotel property located in Canada and held by a joint venture of the Group, increased by HK\$215.9 million for the Year. As a result, the Group shared a reversal of impairment loss of its joint venture’s hotel property of HK\$61.1 million for the Year. In addition, the Group recorded a share of profit of HK\$223.2 million derived from the disposal of Rosedale Hotel Kowloon, which was owned by a joint venture of the Group, for the Year. As such, the Group recorded share of net profits from the Group’s joint ventures of HK\$264.0 million for the Year (2022: share of net losses of HK\$41.9 million).

After implementing some cost saving measures, administrative and general expenses decreased by HK\$64.3 million to HK\$221.2 million for the Year (2022: HK\$285.5 million). Due to the above adverse business impacts, the Group recorded a net loss attributable to owners of the Company of HK\$146.9 million for the Year (2022: net profit of HK\$566.2 million).

The Board has resolved not to pay any dividend for the Year. Accordingly, no dividend is paid or payable for the whole Year (2022: HK15 cents per share of the Company (the “**Share**”), comprising the first interim dividend of HK10 cents and the second interim dividend of HK5 cents).

Property

Segment loss for the Year of HK\$135.6 million was recorded, as compared to a profit of HK\$945.6 million for the last financial year.

Macau

Grand Oasis in Cotai South is a luxury residential project developed by an associate of the Group. Since the property market in Macau has been further adversely impacted by the fifth wave of the COVID-19 pandemic, the contribution from this project to the Group for the Year decreased to HK\$16.8 million (2022: HK\$975.2 million).

Hong Kong

Hyde Park is a project with the Urban Renewal Authority and consists of 76 residential flats and a commercial shop. During the Year, the remaining residential flats and the commercial shop were handed over to the end buyers and accordingly, revenue of HK\$62.3 million was contributed to the Group for the Year (2022: HK\$299.5 million).

With respect to the redevelopment project located in 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 still waiting for land premium assessment from the Lands Department.

The project at No. 23 Po Shan Road, Mid-levels, in which the Group has 20% interests, is a deluxe residential project for sale. Its occupation permit was issued in September 2022. It is expected that the project will be launched for sale in the second half of 2023.

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. As at 31 March 2023, its occupancy rate decreased to approximately 70% (2022: over 90%) due to the intermittent disruption of the COVID-19 pandemic.

Overseas

London, United Kingdom

The project at Greycoat Place is being redeveloped into a mixed residential and commercial tower. Due to the impact of the COVID-19 pandemic, its superstructure works have been delayed and are expected to be completed in the second half of 2023.

Vancouver, Canada

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

Hotel and Leisure

The revenue from this segment for the Year was solely derived from the hotel management fee received by the Group and amounted to HK\$0.5 million (2022: HK\$1.0 million).

Segment profit of HK\$175.4 million was recorded for the Year (2022: loss of HK\$73.0 million), which was mainly attributable to share of profit of HK\$223.2 million derived from the disposal of Rosedale Hotel Kowloon which was owned by a joint venture of the Group and share of the reversal of impairment loss of a joint venture's hotel property in Canada of HK\$61.1 million, which offset with share of an impairment of assets held by an associate established in the PRC of HK\$47.8 million.

Due to the encouraging signs of recovery in the tourism and hospitality industry in Canada as mentioned above, the performance of The Westin Bayshore in Vancouver has been improved and the hotel recorded a profit for the Year.

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	367,000
Sub-total			367,000
Hong Kong			
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/Commercial	72	58,900 ⁽²⁾
Redevelopment project situated at No. 23 Po Shan Road, Mid-levels	Residential	20	16,000
Sub-total			144,300

Location	Usage	Group's interests (%)	Attributable gross floor area ⁽¹⁾ (sq. ft.)
PRC			
Land situated at the Yazhou Bay Science and Technology City, Sanya City, Hainan Province	Hotel	100	886,000
Portions of Dabiao International Centre situated at No. 362 Jiangnan Avenue South and No. 238 Changgang Zhong Road, Haizhu District, Guangzhou City	Commercial/ Office/Hotel/ Car parks	45	282,600
Renaissance Shanghai Caohejing Hotel situated at No. 397 Tianlin Road, Caohejing Hi-Tech Park, Xuhui District, Shanghai	Hotel	24.5	170,000
Sub-total			1,338,600
Overseas			
Townsend House situated at Greycoat Place, London, United Kingdom	Residential/ Commercial	90.1	39,000
The Westin Bayshore situated at 1601 Bayshore Drive, Vancouver, British Columbia, Canada	Hotel/Conference/ Ancillary uses	50	224,500
Redevelopment project situated at 1444 Alberni Street, 711 Broughton Street and 740 Nicola Street, Vancouver, British Columbia, Canada	Residential/ Commercial	28	171,200
Sub-total			434,700
Total			2,284,600

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.

Securities Investments

The investment markets experienced volatility due to the concerns surrounding US interest rate increases, 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. A segment loss from securities investments of HK\$48.3 million was recorded for the Year (2022: profit of HK\$11.4 million). Such loss represented the unrealised loss arising from the drop in market prices and the loss on disposal of listed securities.

As at 31 March 2023, the Group had equity and fund investments in aggregate of HK\$87.6 million, 65% being unlisted securities and funds denominated in United States dollars and the remaining 35% being listed securities denominated in Hong Kong dollars.

Finance

As at 31 March 2023, other loan receivables of the Group amounted to HK\$203.9 million (2022: HK\$166.5 million).

For the Year, the Group recorded a segment profit of HK\$5.0 million (2022: HK\$35.0 million), which was mainly attributable to an interest income of HK\$13.3 million (2022: HK\$14.8 million) and a loss allowance for expected credit loss of HK\$7.8 million (2022: reversal of loss allowance of HK\$19.9 million) 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 31 March 2023, the Group had total bank borrowings of HK\$1,434.2 million. After netting off cash and cash equivalents of HK\$61.1 million and comparing with the Group's shareholders' funds of HK\$3,608.4 million, the Group's net gearing ratio as at 31 March 2023 was 0.38 (2022: 0.29). All of the bank borrowings are subject to floating 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 31 March 2023, the Group had unused banking facilities of HK\$169.8 million which could be utilised to finance the construction of properties and the working capital of the Group. During the Year, bank borrowings of HK\$64.5 million were drawn down to finance the redevelopment project in the United Kingdom. As at 31 March 2023, the Group's borrowings in aggregate amounting to HK\$717.6 million are due for repayment in the coming twelve months according to the repayment schedules. Additionally, an aggregate amount of HK\$311.7 million is due more than one year but was classified as current liability since the lenders have the rights to demand immediate repayment. The Group will continue to closely monitor its liquidity and working capital requirements to ensure appropriate financing arrangements are made when necessary.

For overseas subsidiaries, associates, joint ventures and other investments with cash flows denominated in foreign currencies, the Group endeavours to establish a natural hedge for debt financing with an appropriate level of borrowings in the same currencies. In this respect, the borrowings of the Group and its associates and joint ventures, to which the Group has provided guarantees, are denominated in Hong Kong dollars, Canadian dollars and Pound Sterling. For the Year, an unrealised loss on exchange differences of HK\$139.8 million was debited as other comprehensive expense, mainly arising from translations of operations in Canada, the United Kingdom and the PRC due to the depreciation of Canadian dollars, Pound Sterling and Renminbi. A majority of the Group's cash and cash equivalent 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.

Pledge of Assets

As at 31 March 2023, the Group's general credit facilities granted by the banks were secured by pledges of the Group's investment properties of HK\$603.0 million, property, plant and equipment of HK\$484.0 million, stock of properties of HK\$438.7 million and interests in associates of HK\$816.7 million.

Contingent Liabilities

As at 31 March 2023, the Group provided corporate guarantees on a several basis with maximum liabilities of (i) HK\$542.1 million (2022: HK\$583.2 million), HK\$35.6 million (2022: HK\$41.9 million) and HK\$227.6 million (2022: HK\$245.5 million) in respect of the banking facilities granted to three joint ventures (which were owned as to 50%, 50% and 28% by the Group respectively) with the outstanding amounts attributable to the Group's interests of HK\$522.5 million (2022: HK\$563.7 million), HK\$35.6 million (2022: HK\$41.9 million) and HK\$139.6 million (2022: HK\$150.7 million); and (ii) HK\$360.0 million (2022: HK\$282.9 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\$312.8 million (2022: HK\$228.3 million).

PROSPECTS

Looking ahead, after enduring three years of business disruptions due to the COVID-19 pandemic, the community is gradually resuming to normal, leading to a resurgence in economic activities. However, serious challenges remain, including the increase in US Federal Reserve's interest rates to combat inflation, the escalating geopolitical tensions, and the ongoing Russia-Ukraine war. These factors, along with the recent banking crisis, lead to a slow global economic recovery and create a challenging business landscape.

In response to the increasing factors of uncertainties, the Group is adapting a cautious approach in reassessing its business strategies, refining its business model and enhancing the efficiency and effectiveness of its operations. We are also taking necessary measures to ensure resilience and sustained growth. Going forward, we will focus on the sale of the remaining units in Sky Oasis and Grand Oasis in Macau and other redevelopment projects to secure revenue of the Group in order to maximise returns for the shareholders of the Company (the “**Shareholders**”). Apart from further expansion of our businesses in the PRC, Macau, Canada and the United Kingdom, we will keep on diligently working on the current projects and cautiously assessing and selecting attractive opportunities to replenish the Group's portfolio.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 MARCH 2023

	<i>Notes</i>	2023 HK\$'000	2022 <i>HK\$'000</i>
Revenue	3	<u>90,756</u>	<u>332,187</u>
Hotel management income		503	1,038
Property income		<u>76,986</u>	<u>316,337</u>
		77,489	317,375
Direct cost for hotel management income and property income		<u>(98,660)</u>	<u>(292,174)</u>
Gross (loss) profit for hotel management income and property income		(21,171)	25,201
Interest revenue from loan financing		13,267	14,812
Net fair value (loss) gain on financial instruments	4	(47,940)	12,213
Other income, gains and losses	5	16,977	(17,319)
Loss recognised in respect of deposits paid for acquisition of an associate	12	–	(159,000)
(Recognition) reversal of impairment losses under expected credit loss model, net		(7,800)	19,851
Gain on disposal of subsidiaries	6	–	101,755
Gain on partial disposal of interest in an associate		–	70,000
Decrease in fair value of investment properties		(24,096)	(52,392)
Selling and marketing expenses		(227)	(7,879)
Administrative and general expenses		(221,176)	(285,459)
Finance costs	7	(47,025)	(59,928)
Share of results of associates		(77,203)	921,662
Share of results of joint ventures		<u>263,974</u>	<u>(41,878)</u>
(Loss) profit before taxation		(152,420)	541,639
Taxation	8	<u>(144)</u>	<u>(8,449)</u>
(Loss) profit for the year	9	<u>(152,564)</u>	<u>533,190</u>
(Loss) profit for the year attributable to:			
Owners of the Company		(146,913)	566,164
Non-controlling interests		<u>(5,651)</u>	<u>(32,974)</u>
		<u>(152,564)</u>	<u>533,190</u>
(Loss) earnings per share	11		
– Basic (HK dollar)		<u>(0.16)</u>	<u>0.59</u>
– Diluted (HK dollar)		<u>(0.16)</u>	<u>0.59</u>

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

FOR THE YEAR ENDED 31 MARCH 2023

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
(Loss) profit for the year	<u>(152,564)</u>	<u>533,190</u>
Other comprehensive (expense) income		
<i>Item that will not be reclassified to profit or loss:</i>		
Loss on fair value changes of financial assets designated as at fair value through other comprehensive income	(19,620)	(6,670)
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	(139,752)	41,730
Exchange differences arising on translation for associates and joint ventures	<u>(2,712)</u>	<u>11,142</u>
Other comprehensive (expense) income for the year	<u>(162,084)</u>	<u>46,202</u>
Total comprehensive (expense) income for the year	<u><u>(314,648)</u></u>	<u><u>579,392</u></u>
Total comprehensive (expense) income for the year attributable to:		
Owners of the Company	(291,315)	598,034
Non-controlling interests	<u>(23,333)</u>	<u>(18,642)</u>
	<u><u>(314,648)</u></u>	<u><u>579,392</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 MARCH 2023

	<i>Note</i>	2023 HK\$'000	2022 HK\$'000
Non-current assets			
Property, plant and equipment		496,595	518,800
Investment properties		603,000	625,000
Equity and fund investments		56,800	113,423
Interests in joint ventures		470,785	450,922
Amounts due from joint ventures		891,463	951,210
Interests in associates		1,232,200	1,926,296
Amounts due from associates		2,833	103
Other loan receivables		47,441	–
Other non-current assets		125,326	111,934
		<u>3,926,443</u>	<u>4,697,688</u>
Current assets			
Deposits paid for acquisition of leasehold land		356,367	378,831
Stock of properties		1,022,752	1,009,719
Other loan receivables		156,494	166,512
Debtors, deposits and prepayments	<i>13</i>	113,563	133,216
Amount due from an associate		8,283	–
Equity and fund investments		30,797	40,168
Cash and cash equivalents		61,073	283,962
		<u>1,749,329</u>	<u>2,012,408</u>
Current liabilities			
Creditors, deposits and accrued charges		242,512	245,119
Amounts due to joint ventures		13,799	11,173
Amount due to an associate		–	602,848
Tax payables		186,422	190,329
Lease liabilities		2,512	4,888
Bank borrowings		1,029,291	840,643
		<u>1,474,536</u>	<u>1,895,000</u>
Net current assets		<u>274,793</u>	<u>117,408</u>
Total assets less current liabilities		<u>4,201,236</u>	<u>4,815,096</u>

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Non-current liabilities		
Lease liabilities	841	2,925
Bank borrowings	404,932	607,402
	<u>405,773</u>	<u>610,327</u>
	<u>3,795,463</u>	<u>4,204,769</u>
Capital and reserves		
Share capital	9,126	9,602
Reserves	3,599,233	3,984,730
	<u>3,608,359</u>	<u>3,994,332</u>
Equity attributable to owners of the Company	187,104	210,437
Non-controlling interests	<u>3,795,463</u>	<u>4,204,769</u>

Notes:

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). For the purpose of preparation of consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**Listing Rules**”) and by the Hong Kong Companies Ordinance.

In preparing the 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, in light of the fact that the Group reported a net cash outflow of HK\$220,003,000 for the year ended 31 March 2023 and certain of the Group’s secured bank borrowings will be matured within twelve months from the date of the reporting period.

The Directors are of the opinion that, taking into account the Group’s continuity of normal business activities and the Group’s plan to renew its existing secured bank borrowings for maintaining its business operation, the liquidity needs of the Group will be managed and the financial position of the Group will be improved, the Group will have sufficient working capital to finance its operations and meet its financial obligations as they fall due within twelve months from the date of approval of the consolidated financial statements. Accordingly, the Directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments that are measured at fair values at the end of each reporting period. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

In the current year, 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 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020

The application of the amendments to HKFRSs in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these 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 of, selling of and investment in properties
Hotel and leisure	–	investment in 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 year ended 31 March 2023

	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) profit before taxation HK\$'000 (note (b))
Property (note (c))	76,986	(107,395)	8,057	(8,878)	(27,396)	(135,612)
Hotel and leisure (note (d))	503	(26,200)	(85,260)	286,841	(13)	175,368
Securities investments	–	(48,292)	–	–	–	(48,292)
Finance	13,267	4,973	–	–	–	4,973
SEGMENT TOTAL	90,756	(176,914)	(77,203)	277,963	(27,409)	(3,563)
Unallocated	–	(115,252)	–	(13,989)	(19,616)	(148,857)
GROUP TOTAL	90,756	(292,166)	(77,203)	263,974	(47,025)	(152,420)

For the year ended 31 March 2022

	Segment revenue HK\$'000 (note (a))	Operating (loss) profit HK\$'000	Gain on disposal of subsidiaries HK\$'000	Gain on partial disposal of interest in an associate HK\$'000	Share of results of associates HK\$'000	Share of results of joint ventures HK\$'000	Finance costs HK\$'000	Segment results: profit (loss) before taxation HK\$'000 (note (b))
Property (note (c))	316,337	(148,642)	101,755	70,000	975,162	(37,948)	(14,697)	945,630
Hotel and leisure (note (d))	1,038	(28,182)	–	–	(53,500)	8,653	(6)	(73,035)
Securities investments	–	11,451	–	–	–	–	(56)	11,395
Finance	14,812	34,987	–	–	–	–	–	34,987
SEGMENT TOTAL	332,187	(130,386)	101,755	70,000	921,662	(29,295)	(14,759)	918,977
Unallocated	–	(319,586)	–	–	–	(12,583)	(45,169)	(377,338)
GROUP TOTAL	332,187	(449,972)	101,755	70,000	921,662	(41,878)	(59,928)	541,639

Notes:

- (a) Segment revenue as set out above comprised income from leases, income from sales of properties, properties commission income, building management fee income, hotel management service income and loan financing income. All segment revenue is from external customers.
- (b) The aggregate of the segment results as set out above comprised the (loss) profit before taxation from each segment without allocation of certain other income, gains and losses, certain administrative and general expenses, share of results of certain joint ventures, certain finance costs and loss recognised in respect of deposits paid for acquisition of an associate.
- (c) The segment revenue of property segment included income from leases, income from sales of properties, properties commission income and building management fee income. During the year ended 31 March 2023, the segment result of property segment included decrease in fair value of investment properties of HK\$24,096,000 (2022: HK\$52,392,000).
- (d) During the year ended 31 March 2023, the segment result of hotel and leisure segment included share of gain on disposal of all equity interests in a subsidiary of a joint venture, which indirectly owned a hotel in Hong Kong, amounting to HK\$223,193,000 (2022: nil), share of reversal of impairment loss of a property held by a joint venture amounting to HK\$61,062,000 (2022: HK\$54,211,000) and share of impairment loss of assets held by an associate amounting to HK\$47,811,000 (2022: share of impairment loss of a property held by an associate amounting to HK\$33,723,000).

The CODM assesses the performance of the operating segments based on the (loss) profit before taxation of the group entities engaged in the respective segment activities which represents the segment results. Segment results are analysed before taxation whereas tax payable is allocated to operating segment liabilities. This is the measure reported to the CODM for the purpose of resource allocation and performance assessment.

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	
	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Property	4,239,891	4,884,078	1,251,026	1,844,298
Hotel and leisure	985,095	1,107,870	129,415	126,857
Securities investments	87,597	153,591	951	476
Finance	236,388	190,220	48	24
	<u>5,548,971</u>	<u>6,335,759</u>	<u>1,381,440</u>	<u>1,971,655</u>
Segment total	5,548,971	6,335,759	1,381,440	1,971,655
Unallocated:				
Cash and cash equivalents	61,073	283,962	–	–
Bank borrowings	–	–	476,632	508,045
Others	65,728	90,375	22,237	25,627
	<u>65,728</u>	<u>90,375</u>	<u>22,237</u>	<u>25,627</u>
Total	<u>5,675,772</u>	<u>6,710,096</u>	<u>1,880,309</u>	<u>2,505,327</u>

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than certain property, plant and equipment, 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 cash and cash equivalents; and
- all liabilities, including tax payables, are allocated to operating segments other than certain lease liabilities, certain bank borrowings and certain creditors, deposits and accrued charges.

Geographical information

The Group's revenue from external customers based on location of properties and/or goods delivered or services delivered, and information about its non-current assets, excluding financial assets, by physical location of the assets are detailed as below:

	Revenue from external customers		Carrying amount of non-current assets	
	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
Hong Kong	80,514	321,510	1,368,516	1,411,699
Macau	–	–	814,614	1,408,353
The People's Republic of China	4,741	5,123	382,914	496,326
Canada	5,501	5,554	320,461	275,044
Others	–	–	41,401	41,530
	<u>90,756</u>	<u>332,187</u>	<u>2,927,906</u>	<u>3,632,952</u>

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

	2023 HK\$'000	2022 HK\$'000
Net (decrease) increase in fair values of financial assets at fair value through profit or loss		
– held at the end of the reporting period	(35,688)	11,233
– disposed of during the year	(12,252)	980
	<u>(47,940)</u>	<u>12,213</u>

5. OTHER INCOME, GAINS AND LOSSES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Other income:		
Bank interest income	1,120	304
Interest income on amounts due from joint ventures	18,730	18,916
Others	2,985	5,004
	<u>22,835</u>	<u>24,224</u>
Other gains and losses:		
Decrease in fair value of an amount due from a joint venture (note)	(3,355)	(32,118)
Net foreign exchange loss	(2,503)	(4,045)
Loss on tax indemnity asset written off	–	(5,771)
Gain on repurchase of loan notes	–	391
	<u>(5,858)</u>	<u>(41,543)</u>
	<u>16,977</u>	<u>(17,319)</u>

Note: During the year ended 31 March 2023, a decrease in fair value of HK\$3,355,000 (2022: HK\$32,118,000) has been recognised on an amount due from a joint venture and the fair value of such amount has been measured with reference to quoted prices of the underlying asset held by the joint venture in a market that is not active.

6. GAIN ON DISPOSAL OF SUBSIDIARIES

- (a) On 2 September 2021, 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 a redevelopment project at Nos. 41, 43 and 45 Pau Chung Street, To Kwa Wan, at a cash consideration of HK\$318,297,000. The disposal was completed on 5 October 2021 and a gain of HK\$79,820,000 was recognised during the year ended 31 March 2022.
- (b) On 23 February 2022, 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 certain properties at a cash consideration of HK\$36,000,000. The disposal was completed on 24 February 2022 and a gain of HK\$21,935,000 was recognised during the year ended 31 March 2022.

7. FINANCE COSTS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Effective interest on loan notes	–	37,630
Interest on bank borrowings	53,767	25,832
Interest on lease liabilities	203	404
	<hr/>	<hr/>
Total borrowing costs	53,970	63,866
Less: amounts capitalised in qualifying assets	(6,945)	(3,938)
	<hr/>	<hr/>
	47,025	59,928
	<hr/> <hr/>	<hr/> <hr/>

8. TAXATION

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Hong Kong Profits Tax:		
Current tax	40	28,739
Overprovision in prior years	–	(588)
	<hr/>	<hr/>
	40	28,151
	<hr/>	<hr/>
Canadian Corporate Tax:		
Current tax	104	140
Underprovision in prior years	–	13
	<hr/>	<hr/>
	104	153
	<hr/>	<hr/>
PRC Enterprise Income Tax:		
Overprovision in prior years	–	(19,855)
	<hr/>	<hr/>
	144	8,449
	<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.

9. (LOSS) PROFIT FOR THE YEAR

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
(Loss) profit for the year has been arrived at after charging (crediting):		
Cost of inventories recognised as an expense (including write-down of stock of properties amounting to HK\$33,312,000 (2022: nil))	92,206	265,406
Depreciation of property, plant and equipment	26,704	28,818
(Gain) loss on disposal of property, plant and equipment	(160)	146
	<u>92,206</u>	<u>265,406</u>

10. DISTRIBUTION

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Dividends recognised as distribution during the year:		
– First interim dividend, paid for the year ended 31 March 2022 – HK10 cents per share	–	96,018
– Second interim dividend, paid for the year ended 31 March 2022 – HK5 cents per share	47,859	–
	<u>47,859</u>	<u>96,018</u>
Dividends in form of:		
– Cash	47,859	96,018
Dividends declared in respect of the year:		
– Interim dividend declared for the year		
– Nil (second interim dividend for the year ended 31 March 2022: HK5 cents per share)	–	47,859
	<u>–</u>	<u>47,859</u>

The Board decided not to declare a dividend for the year ended 31 March 2023.

11. (LOSS) EARNINGS PER SHARE

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
(Loss) earnings:		
(Loss) profit for the year attributable to owners of the Company for the purpose of basic and diluted (loss) earnings per share	<u>(146,913)</u>	<u>566,164</u>
	2023	2022
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic (loss) earnings per share	936,517,402	960,175,410
Effect of dilutive potential ordinary share:		
Share options granted on 28 September 2021	<u>–</u>	<u>254,552</u>
Weighted average number of ordinary shares for the purpose of calculating diluted (loss) earnings per share	<u>936,517,402</u>	<u>960,429,962</u>

The effect of the exercise of the Company's share options granted on 4 April 2018 and 28 September 2021 was not taken into consideration for computing the diluted loss per share for the year ended 31 March 2023 as the exercise price of those share options was higher than the average market price for shares.

The effect of the exercise of the Company's share options granted on 4 April 2018 was not taken into consideration for computing the diluted earnings per share for the year ended 31 March 2022 as the exercise price of those share options was higher than the average market price for shares.

12. LOSS RECOGNISED IN RESPECT OF DEPOSITS PAID FOR ACQUISITION OF AN ASSOCIATE

In June 2017, Precious Year Limited, a wholly-owned subsidiary of the Company, entered into an agreement for acquiring 45.76% interests in Paul Y. Engineering Group Limited ("PYE") from The 13 (BVI) Limited, a wholly-owned subsidiary of South Shore Holding Limited (In Liquidation) ("South Shore"), shares of which were delisted from the Stock Exchange on 9 February 2023, at a consideration of HK\$265,200,000 (the "Acquisition Agreement"). As at 31 March 2022 and 2023, the Group had paid the deposits of HK\$159,000,000 for the aforesaid acquisition (the "Deposits") and the transaction has not been completed pending fulfilments of certain conditions pursuant to the Acquisition Agreement.

During the year ended 31 March 2022, a creditor of an intermediate holding company of PYE exercised its right under a share charge over the immediate holding company of PYE (i.e. The 13 (BVI) Limited). As a result, PYE is no longer a subsidiary of South Shore and the Group has issued written notices to South Shore's legal representatives and The 13 (BVI) Limited respectively to rescind the Acquisition Agreement and to claim against them for the refund of the Deposits together with a sum of HK\$32,000,000 as and for agreed liquidated damages.

During the year ended 31 March 2022, the Company considered the following incidents as disclosed by South Shore from 1 April 2021 to 31 March 2022:

- (i) there was a change in the beneficial ownership in PYE due to actions taken by a creditor of South Shore;
- (ii) on 23 July 2021, South Shore was ordered to be wound up by the Supreme Court of Bermuda in accordance with section 161 of the Company Act 1981 and provisional liquidators were appointed;
- (iii) Hotel Nova Concórdia, Limitada (English name: New Concordia Hotel Limited, Chinese name: 新聯生酒店有限公司), which is an indirect wholly-owned subsidiary of South Shore and the owner of THE 13 Hotel in Macau (being the sole significant asset of South Shore and its subsidiaries), had itself applied to the court of Macau for voluntary liquidation;
- (iv) on 11 March 2022, the Supreme Court of Bermuda ordered that the joint and several liquidators be appointed, and that a committee of inspection be formed, for South Shore under section 181(2) of the Bermuda Companies Act 1981; and
- (v) the shares of South Shore had been suspended from trading on the Stock Exchange since 2 July 2021.

In view of the above-mentioned negative facts and circumstances, a loss of HK\$159,000,000 was recognised in respect of the Deposits during the year ended 31 March 2022. During the year ended 31 March 2023, the Company continued to monitor the situation and considered there were no signs of improvement of the above negative facts and circumstances. Also the shares of South Shore were delisted from the Stock Exchange on 9 February 2023. The provision was therefore continually provided.

13. 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 (2022: 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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade debtors aged:		
0 – 60 days	1,446	2,260
61 – 90 days	249	–
	<u>1,695</u>	<u>2,260</u>

OTHER INFORMATION

Annual General Meeting

The forthcoming annual general meeting of the Company (the “**Annual General Meeting**”) will be held on Friday, 8 September 2023. A circular containing the notice of the Annual General Meeting and information regarding, inter alia, the re-election of the retiring Directors and the granting of the general mandates to the Directors to issue new Shares and to repurchase Shares will be published and despatched to the Shareholders in due course.

Closure of Register of Members

For the purpose of ascertaining Shareholders’ entitlement to attend, speak and vote at the Annual General Meeting, the register of members of the Company will be closed from Tuesday, 5 September 2023 to Friday, 8 September 2023, both dates inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend, speak and vote at the Annual General Meeting, Shareholders must lodge all transfer documents accompanied by the relevant share certificates with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Secretaries Limited, at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration by no later than 4:30 p.m. on Monday, 4 September 2023.

Number of Employees and Remuneration Policies

As at 31 March 2023, the total number of employees of the Group was 145 (2022: 243). 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

During the Year, a total of 47,541,000 Shares were repurchased (the “**Repurchased Shares**”) at an aggregate consideration (excluding expenses) of HK\$47,356,260.0 on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the Year.

Movement in Issued Shares

During the Year, the Company cancelled a total of 47,541,000 Repurchased Shares. As at 31 March 2023, there were 912,634,410 Shares in issue.

Compliance with the 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 as well as enhancing the transparency and accountability to the stakeholders.

Throughout the Year, the Company has complied with all the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules and applied the principles contained therein, except that the role of the “chief executive” is vacant. 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 has also been effective in facilitating the operations and business development of Group and enabling the Board to discharge its responsibilities satisfactorily. In addition, three independent non-executive Directors have contributed valuable views and proposals independently for the Board’s deliberation and decisions.

Compliance with Model Code for Securities Transactions by Directors

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

Review of Annual Results

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 annual results of the Group for the Year.

Scope of Work of Messrs. Deloitte Touche Tohmatsu

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2023 as set out in this preliminary announcement have been agreed by the Group’s auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the audited consolidated financial statements of the Group for the year as approved by the Board of Directors on 30 June 2023. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement and consequently no opinion or assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

Publication of Annual Results Announcement and Annual Report

This annual 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 annual report of the Company for the Year containing all information required by the Listing Rules will be despatched to the Shareholders and published on the websites of the Stock Exchange and the Company in due course.

APPRECIATION

On behalf of the Board, I would like to welcome Mr. Law Hon Wa, William for joining the Board as an executive Director and the Chief Financial Officer in April 2023 and express the gratitude to Ms. Lam Sau Fung, former executive Director and Chief Financial Officer, who resigned in April 2023, for her valuable contributions to the Group during her tenure of services.

In addition, I would like to take this opportunity to express my appreciation to the Shareholders for their support, to the fellow Board members, management and staff for their dedicated efforts to the Group and to our clients, consultants and business partners for all their valuable assistance offered during the Year.

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

Hong Kong, 30 June 2023

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. Chan Pak Cheong Afonso, Mr. Ip Hon Wah

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