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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)

SUPPLEMENTAL AND CLARIFICATION ANNOUNCEMENT IN RELATION TO THE ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2024

Reference is made to the announcement of ITC Properties Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 28 June 2024 in relation to the annual results of the Group for the year ended 31 March 2024 (the “**Annual Results Announcement**”). Unless otherwise defined, terms used in this announcement shall have the same meanings as those defined in the Annual Results Announcement.

The Company wishes to provide the following additional information to the Annual Results Announcement:

(I) Adding Note 12 to the Consolidated Financial Statements (set out on page 13 of the Annual Results Announcement)

“12. INTERESTS IN ASSOCIATES

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 during 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 section headed “Business Review”, 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

* For identification purpose only

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."

In addition, the Company also wishes to clarify certain information due to inadvertent clerical errors in the Annual Results Announcement as follows (with the changes underlined for easy reference):

- (I) The second paragraph of Note 1 to the Consolidated Financial Statements (set out on page 15 of the Annual Results Announcement) shall be replaced by the following:**

"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. After taking into account the fact that the Group reported a loss of HK\$682,303,000 and had a net operating outflow of HK\$46,493,000 during the year ended 31 March 2024 and, as of that date, the Group's aggregate bank and other borrowings amounted to HK\$1,362,168,000, of which balances of HK\$1,037,910,000 were due for settlement within twelve months and were classified as current liabilities while the Group had cash and cash equivalents amounting to HK\$24,743,000. As at 31 March 2024, the Group's certain bank borrowings with carrying amounts of HK\$970,634,000 in aggregate had their maturity dates before the date of approval for issuance of the consolidated financial statements, subsequently of which HK\$396,000,000 has become overdue, HK\$360,701,000 in aggregate was repaid and HK\$213,933,000 was extended to 31 March 2025."

- (II) The section headed "Extract of Independent Auditor's Report" (set out on pages 25-27 of the Annual Results Announcement) shall be replaced by the following:**

"Extract of Independent Auditor's Report

The following is an extract of the Independent Auditor's Report on the consolidated financial statements of the Group for the year ended 31 March 2024.

"Disclaimer of Opinion

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

Basis for Disclaimer of Opinion

Going concern

During the year ended 31 March 2024, the Group reported a loss of HK\$682,303,000 and had a net operating outflow of HK\$46,493,000. As at 31 March 2024, the Group's aggregate bank and other borrowings amounted to HK\$1,362,168,000, of which balances of HK\$1,037,910,000 were due for settlement within twelve months and were classified as current liabilities while the Group had cash and cash equivalents amounting to HK\$24,743,000.

These events and conditions, together with other matters disclosed in note 1 to the consolidated financial statements of the Group, exist that may cast significant doubt on the Group's ability to continue as going concern.

The Group has undertaken a number of plans and measures to mitigate its liquidity position and to improve its financial position, including obtaining a new source of borrowings, disposal of properties, joint ventures or associates, seeking refinancing and control on administrative and operating cost, in which the details are set out in note 1 to the consolidated financial statements of the Group. The validity of the going concern assumptions on which the consolidated financial statements of the Group have been prepared depends on the outcome of these plans and measures, including: (i) successfully identifying buyer(s) for disposal of specific 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. The directors of the Company have taken into account the likelihood of success of the plans and measures being implemented and are of the opinion that sufficient financial resources will be available to finance the Group's operations and to meet the Group's financial obligations as and when they fall due at least twelve months from the date of approval of the consolidated financial statements. Accordingly, the consolidated financial statements have been prepared on a basis that the Group will be able to continue as a going concern.

Given the execution of the plans and measures by the Group are in preliminary stage or in progress and no written contractual agreements or other documentary supporting evidence from the relevant banks or other lenders and potential buyers are available to the Group as at the date of approval for issuance of the consolidated financial statements of the Group for extending the going concern assessment, we are unable to obtain sufficient appropriate audit evidence we considered necessary to assess the likelihood of success of the plans and measures currently undertaken by the Group. There were no other satisfactory audit procedures that we could adopt to satisfy ourselves that the appropriateness of the directors' use of the going concern basis of accounting and adequacy of the related disclosures in the consolidated financial statements of the Group.

Should the Group fail to achieve the above-mentioned plans and measures, it might not be able to continue to operate as a going concern, and adjustments might have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to reclassify non-current liabilities as current liabilities with consideration of the contractual terms or to recognise a liability for any contractual commitments that may have become onerous, where appropriate. The effects of these adjustments have not been reflected in the consolidated financial statements of the Group.

The possible effects on the consolidated financial statements of undetected misstatements, if any, could be both material and pervasive.

Additional matter – Qualification on investment in an associate

As set out in note 19 to the consolidated financial statements of the Group, the Group holds a 20% equity interest in an associate, Rosedale Hotel Beijing Co., Ltd. (“**Rosedale Beijing**”), which was established in the People's Republic of China and is engaged in property holding in Beijing. During the year ended 31 March 2024, the Group was unable to obtain financial information of Rosedale Beijing to assess the financial performance of Rosedale Beijing during 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, the Group considered the unfavourable situations as set out in note 19 to the consolidated financial statements of the Group and 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.

Since the Group was unable to obtain adequate supporting information and explanations with respect to the financial performance and financial position of Rosedale Beijing, our access to the underlying records of Rosedale Beijing and explanations sought were also denied. In view of the scope limitation, we were therefore unable to obtain sufficient appropriate audit evidence we considered necessary to assess the financial performance and financial position of Rosedale Beijing and assess impairment on interest in Rosedale Beijing. There were no other satisfactory audit procedures that we could adopt to satisfy ourselves that interest in Rosedale Beijing as at 31 March 2024, any share of the results of Rosedale Beijing and impairment loss of Rosedale Beijing for the year ended 31 March 2024 recorded in the consolidated financial statements of the Group are free from material misstatements. In addition, we were also unable to determine whether the disclosures in the consolidated financial statements of the Group related to interest in Rosedale Beijing, share of loss of Rosedale Beijing and impairment assessment of interest in Rosedale Beijing were sufficient and appropriate.

It is not practicable for us to quantify the exact amount of impact to interests in associates, share of results of associates and impairment loss of interest in an associate on the consolidated financial statements of the Group for the year ended 31 March 2024 due to the scope limitation in relation to the above-mentioned matters. Consequently, we were unable to determine whether any adjustments to interest in associates, share of results of associates and impairment loss of interest in an associate were necessary. However, the possible effects on the consolidated financial statements of undetected misstatements, if any, could be material but not pervasive.

Even had there been no limitation of audit scope relating to going concern as described in the Basis for Disclaimer of Opinion section of our report which precluded us from expressing an opinion on the consolidated financial statements, our opinion would have been qualified for the additional matter as described above.”

The aforesaid “notes 1 and 19 to the consolidated financial statements” are disclosed as notes 1 and 12, respectively, of this announcement.”

(III) The words “Major Shareholder” appeared in (ii) and (iii) on page 30 of the Annual Results Announcement should be read as “Majority Shareholder”.

(IV) The second paragraph under the section headed “業務回顧” (set out on page 2 of the Chinese version of the Annual Results Announcement) shall be replaced by the following:

“本集團於本年度錄得本公司擁有人應佔淨虧損為港幣644,900,000元，而上一個財政年度則為港幣146,900,000元。本年度的淨虧損乃主要由於(i)對直接持有一幅位於中國北京的土地的一間聯營公司之權益計提全額減值虧損港幣136,200,000元；(ii)由於香港商用物業市況受到不利影響，本集團投資物業的公平值減少港幣134,000,000元及本集團所持商用物業減值虧損港幣46,400,000元；及(iii)由於本年度內並無產生一次性收益，本集團合營公司應佔淨虧損港幣78,800,000元，而上一個財政年度錄得淨溢利港幣264,000,000元。”

(V) The words “金峯” appeared in the second paragraph under the section headed “展望” on page 10 of the Chinese version of the Annual Results Announcement should be read as “金峰”.

This announcement is supplemental to and should be read in conjunction with the Annual Results Announcement. Save as disclosed in this announcement, all other information and contents contained in the Annual Results Announcement remain unchanged.

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

Hong Kong, 4 July 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.