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WANG ON PROPERTIES LIMITED

宏安地產有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1243)

**ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021**

	Six months ended		Change
	30 September		
	2021	2020	
	(Unaudited)	(Unaudited)	
	HK\$ million	HK\$ million	
Revenue	6	250	-97.6%
Gross Profit	6	117	-94.9%
Net Profit attributable to shareholders	149	72	+106.9%
Earnings per share (<i>HK cent</i>)			
Basic and diluted	0.98	0.47	+108.5%
	As at	As at	
	30 September	31 March	
	2021	2021	
	(Unaudited)	(Audited)	
	HK\$ million	HK\$ million	
Net asset value	5,043	5,034	+0.2%
Net asset value per share (<i>HK\$</i>)	0.332	0.331	+0.3%

INTERIM RESULTS

The board of directors (the “**Board**” or the “**Directors**”) of Wang On Properties Limited (the “**Company**”, together with its subsidiaries, collectively referred to as the “**Group**”) is pleased to announce the unaudited interim condensed consolidated results of the Group for the six months ended 30 September 2021, together with the comparative figures for the corresponding period in 2020. This interim condensed consolidated financial information was not audited, but has been reviewed by the audit committee of the Company (the “**Audit Committee**”).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Six months ended 30 September 2021

		Six months ended	
		30 September	
		2021	2020
	Notes	(Unaudited) HK\$'000	(Unaudited) HK\$'000
REVENUE	4	5,964	250,292
Cost of sales		<u>(126)</u>	<u>(133,172)</u>
Gross profit		5,838	117,120
Other income and gains, net	4	61,792	80,992
Selling and distribution expenses		(20,779)	(47,612)
Administrative expenses		(63,624)	(46,091)
(Impairment losses)/reversal of impairment losses on financial assets		(896)	5,768
Other expenses	6	(25,943)	—
Finance costs	5	(36,558)	(40,890)
Fair value gains/(losses) on investment properties, net		23,966	(9,745)
Fair value losses on financial assets and liabilities at fair value through profit or loss, net		(10,711)	(16,547)
Share of profits of joint ventures		<u>212,280</u>	<u>49,418</u>
PROFIT BEFORE TAX	6	145,365	92,413
Income tax credit/(expense)	7	<u>3,271</u>	<u>(19,304)</u>
PROFIT FOR THE PERIOD		<u><u>148,636</u></u>	<u><u>73,109</u></u>

	Six months ended	
	30 September	
<i>Note</i>	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
OTHER COMPREHENSIVE INCOME		
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods:</i>		
Debt investments at fair value through other comprehensive income:		
Changes in fair value	(41,602)	9,421
Reclassification adjustments for losses/(gains) included in profit or loss:		
— losses/(gains) on disposal/redemption, net	13,077	(4,509)
— impairment losses/(reversal of impairment losses), net	704	(5,645)
	<u> </u>	<u> </u>
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	(27,821)	(733)
	<u> </u>	<u> </u>
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	(27,821)	(733)
	<u> </u>	<u> </u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	120,815	72,376
	<u> </u>	<u> </u>
Profit attributable to:		
Owners of the parent	148,615	71,856
Non-controlling interests	21	1,253
	<u> </u>	<u> </u>
	148,636	73,109
	<u> </u>	<u> </u>
Total comprehensive income attributable to:		
Owners of the parent	120,794	71,123
Non-controlling interests	21	1,253
	<u> </u>	<u> </u>
	120,815	72,376
	<u> </u>	<u> </u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8	
Basic and diluted	HK0.98 cent	HK0.47 cent
	<u> </u>	<u> </u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 September 2021

	30 September 2021 (Unaudited) HK\$'000	31 March 2021 (Audited) HK\$'000
NON-CURRENT ASSETS		
Property, plant and equipment	95,267	102,484
Investment properties	80,000	571,200
Properties under development	2,366,640	1,594,960
Investments in joint ventures	1,737,307	2,207,545
Debt investments at fair value through other comprehensive income	23,863	108,898
Financial assets at fair value through profit or loss	84,914	42,565
Loan and interest receivables	13,646	24,531
Prepayments, other receivables and other assets	337,085	285,367
Deferred tax assets	3,294	—
	<hr/>	<hr/>
Total non-current assets	4,742,016	4,937,550
CURRENT ASSETS		
Properties under development	3,456,016	3,326,177
Properties held for sale	605,436	605,436
Loan and interest receivables	23,520	31,940
Prepayments, other receivables and other assets	349,000	250,108
Cost of obtaining contracts	1,241	1,241
Tax recoverable	8,775	4,400
Cash and cash equivalents	700,891	826,503
Debt investments at fair value through other comprehensive income	73,269	207,070
Financial assets at fair value through profit or loss	51,890	12,648
	<hr/>	<hr/>
	5,270,038	5,265,523
	<hr/>	<hr/>
Assets classified as held for sale	501,387	—
	<hr/>	<hr/>
Total current assets	5,771,425	5,265,523

		30 September 2021	31 March 2021
	<i>Note</i>	(Unaudited)	(Audited)
		HK\$'000	HK\$'000
CURRENT LIABILITIES			
Trade payables	10	17,809	29,278
Other payables and accruals		93,313	91,998
Financial liabilities at fair value through profit or loss		2,953	5,356
Contract liabilities		48,639	1,510
Interest-bearing bank and other borrowings		1,672,998	1,953,857
Tax payable		2,444	126,509
		<u>1,838,156</u>	<u>2,208,508</u>
Liabilities directly associated with the assets classified as held for sale		<u>200,301</u>	<u>—</u>
Total current liabilities		<u>2,038,457</u>	<u>2,208,508</u>
NET CURRENT ASSETS		<u>3,732,968</u>	<u>3,057,015</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>8,474,984</u>	<u>7,994,565</u>

	30 September 2021 (Unaudited) HK\$'000	31 March 2021 (Audited) HK\$'000
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>8,474,984</u>	<u>7,994,565</u>
NON-CURRENT LIABILITIES		
Other payables	6,300	1,480
Financial liabilities at fair value through profit or loss	11,070	12,874
Interest-bearing bank and other borrowings	3,414,501	2,945,349
Deferred tax liabilities	482	566
	<u>3,432,353</u>	<u>2,960,269</u>
Total non-current liabilities	3,432,353	2,960,269
Net assets	<u>5,042,631</u>	<u>5,034,296</u>
EQUITY		
Equity attributable to owners of the parent		
Issued capital	15,200	15,200
Reserves	5,016,131	5,007,817
	<u>5,031,331</u>	<u>5,023,017</u>
Non-controlling interests	<u>11,300</u>	<u>11,279</u>
Total equity	<u>5,042,631</u>	<u>5,034,296</u>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. BASIS OF PREPARATION

The unaudited interim condensed consolidated financial information of the Group for the six months ended 30 September 2021 has been prepared in accordance with Hong Kong Accounting Standard 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and the disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**Listing Rules**”).

The unaudited interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 March 2021.

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial information are consistent with those adopted in the Group’s audited financial statements for the year ended 31 March 2021, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance, except for the adoption of the revised HKFRSs as disclosed in note 2 below.

This unaudited interim condensed consolidated financial information has been prepared under the historical cost convention, except for investment properties, debt investments at fair value through other comprehensive income and financial assets and liabilities at fair value through profit or loss, which have been measured at fair value. This unaudited interim condensed consolidated financial information is presented in Hong Kong dollar (“**HK\$**”) and all values are rounded to the nearest thousand except when otherwise indicated.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current period's unaudited interim condensed consolidated financial information:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	<i>Interest Rate Benchmark Reform — Phase 2</i>
Amendments to HKFRS 16	<i>COVID-19-Related Rent Concessions beyond 30 June 2021</i>

The nature and the impact of the revised HKFRSs are described below:

- (a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate (“**RFR**”). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with

through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

The Group had certain interest-bearing bank borrowings denominated in Hong Kong dollars based on the Hong Kong Interbank Offered Rate as at 30 September 2021. Since the interest rates of these borrowings were not replaced by RFRs during the period, the amendment did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these borrowings provided that the "economically equivalent" criterion is met.

- (b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period.

The amendments have had no impact on the Group's consolidated financial information.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments as follows:

- (a) the property development segment engages in the development of properties; and
- (b) the property investment segment engages in investment in commercial and industrial premises for rental or for sale.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income, dividend income, fair value losses on financial assets and liabilities at fair value through profit or loss, impairment/reversal of impairment on financial assets, gains/losses arising from disposal/redemption transactions, finance costs and head office and corporate expenses are excluded from such measurement.

The Group's revenue from external customers was derived solely from its operations in Hong Kong during the six months ended 30 September 2021 and 2020, and the non-current assets of the Group were located in Hong Kong as at 30 September and 31 March 2021.

Information regarding these reportable segments, together with their related comparative information is presented below.

Reportable segment information

Six months ended 30 September

	Property development		Property investment		Total	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Segment revenue:						
Sales to external customers	—	245,374	5,964	4,918	5,964	250,292
Other income	15,840	16,895	43,331	34,342	59,171	51,237
Total	<u>15,840</u>	<u>262,269</u>	<u>49,295</u>	<u>39,260</u>	<u>65,135</u>	<u>301,529</u>
Segment results	<u>120,563</u>	<u>55,777</u>	<u>107,996</u>	<u>82,320</u>	<u>228,559</u>	138,097
<i>Reconciliation:</i>						
Interest income from bank deposits					184	2,171
Interest income from loan receivables					1,431	3,041
Interest income from debt investments at fair value through other comprehensive income					18,929	19,455
Interest income from financial assets at fair value through profit or loss					1,717	—
Dividend income from financial assets					4,326	—
(Losses)/gains on disposal of debt investments at fair value through other comprehensive income					(25,943)	5,088
Fair value losses on financial assets and liabilities at fair value through profit or loss					(10,711)	(16,547)
(Impairment losses)/reversal of impairment losses on financial assets					(896)	5,768
Finance costs					(36,558)	(40,890)
Corporate and unallocated expenses					(35,673)	(23,770)
Profit before tax					145,365	92,413
Income tax credit/(expense)					3,271	(19,304)
Profit for the period					<u>148,636</u>	<u>73,109</u>

4. REVENUE, OTHER INCOME AND GAINS, NET

An analysis of the Group's revenue is as follows:

	Six months ended 30 September	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Revenue		
<i>Revenue from contracts with customers</i>		
Sale of properties	—	245,374
<i>Revenue from another source</i>		
Rental income	<u>5,964</u>	<u>4,918</u>
	<u>5,964</u>	<u>250,292</u>

Revenue from contracts with customers

(i) *Disaggregated revenue information*

All revenue from contracts with customers are recognised at the point in time when the control of the assets is transferred to the customers.

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	Six months ended 30 September	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of properties	<u>—</u>	<u>17,346</u>

(ii) *Performance obligations*

Information about the Group's performance obligations is summarised below:

Sale of properties

The performance obligation is satisfied when the physical possession or the legal title of the completed property is obtained by the purchaser.

The contracted sales amounts allocated to the remaining performance obligations as at the end of the reporting period:

	Six months ended 30 September	
	2021	2020
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	<u><u>13,082</u></u>	<u><u>70,410</u></u>

An analysis of the Group's other income and gains, net is as follows:

	Six months ended 30 September	
	2021	2020
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Other income and gains, net		
Interest income from bank deposits	184	2,171
Interest income from loan receivables	1,431	3,041
Interest income from debt investments at fair value through other comprehensive income	18,929	19,455
Interest income from financial assets at fair value through profit or loss	1,717	—
Dividend income from financial assets	4,326	—
Forfeiture of deposits from customers	—	4,050
Gains on disposal of subsidiaries	16,038	30,800
Gains on disposal of debt investments at fair value through other comprehensive income	—	5,088
Management fee income	5,815	8,143
Others	<u>13,352</u>	<u>8,244</u>
	<u><u>61,792</u></u>	<u><u>80,992</u></u>

5. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 September	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Interest on bank and other borrowings	62,996	63,647
Interest portion of lease liabilities	96	182
	<u>63,092</u>	<u>63,829</u>
Less: interest capitalised	<u>(26,534)</u>	<u>(22,939)</u>
	<u><u>36,558</u></u>	<u><u>40,890</u></u>

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	Six months ended 30 September	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Cost of properties sold	—	130,881
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties	126	2,291
Depreciation of owned assets	4,485	3,186
Depreciation of right-of-assets	3,980	3,979
Losses on disposal of debt investments at fair value through other comprehensive income*	<u>25,943</u>	<u>—</u>

* These expenses are included in "Other expenses" in the condensed consolidated statement of profit or loss and other comprehensive income.

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 September 2020: 16.5%) on the estimated assessable profits arising in Hong Kong during the period.

	Six months ended 30 September	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current — Hong Kong		
Charge for the period	140	19,352
Overprovision in prior periods	(33)	—
Deferred	<u>(3,378)</u>	<u>(48)</u>
Total tax (credit)/charge for the period	<u><u>(3,271)</u></u>	<u><u>19,304</u></u>

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share for the six months ended 30 September 2021 is based on the profit for the period attributable to owners of the parent of HK\$148,615,000 (six months ended 30 September 2020: HK\$71,856,000) and the weighted average number of ordinary shares of 15,200,000,000 (six months ended 30 September 2020: 15,200,000,000).

No adjustment has been made to the basic earnings per share presented for the six months ended 30 September 2021 and 2020 as the Group had no potentially dilutive ordinary shares in issue during these periods.

9. DIVIDENDS

	Six months ended 30 September	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Final dividend paid — HK0.74 cent (2020: HK0.72 cent) per ordinary share	<u><u>112,480</u></u>	<u><u>109,440</u></u>

The Board does not recommend the payment of any interim dividend in respect of the six months ended 30 September 2021 (six months ended 30 September 2020: Nil).

10. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	30 September 2021 (Unaudited) HK\$'000	31 March 2021 (Audited) HK\$'000
Within 30 days	<u>17,809</u>	<u>29,278</u>

The trade payables are non-interest bearing and have an average term of 30 days. The carrying amounts of the trade payables approximate to their fair values.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2021 (six months ended 30 September 2020: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

The Group's revenue and profit attributable to owners of the parent for the six months ended 30 September 2021 amounted to approximately HK\$6.0 million (six months ended 30 September 2020: approximately HK\$250.3 million) and approximately HK\$148.6 million (six months ended 30 September 2020: approximately HK\$71.9 million), respectively. The profit for the year was mainly attributable to the completion of jointly developed property projects and share of profits recognized from joint ventures.

BUSINESS REVIEW

Property Development

No revenue recognized in this business segment during the reporting period as only the two joint venture projects had sales recognition (six months ended 30 September 2020: approximately HK\$245.4 million).

The delivery of remaining units of two joint venture projects, namely maya and Altissimo in the reporting period contributed approximately HK\$141.7 million of net profit to the Group.

“maya”, which is located on No. 8 Shung Shan Street and No. 15 Sze Shan Street in Yau Tong was developed by the Group together with CIFI Holdings (Group) Co. Ltd (“CIFI”). As at the date of this announcement, 310 out of 326 units released have been sold, the aggregate sales proceeds amounted to approximately HK\$3.9 billion. The Group owns 50% equity interest in this development project and is responsible for project management.

The Group's Whitehead project (No.11 Yiu Sha Road, Ma On Shan), “Altissimo”, is co-developed with Country Garden Holdings Company Limited and China State Construction International Holdings Limited, and has been delivered to buyers in the fourth quarter of 2020. As at the date of this announcement, 516 of the 547 units released have been sold and the aggregate sales proceeds amounted to approximately HK\$5.8 billion. The Group owns 40% equity interest in this development project.

The Met. Azure project located at the junction of Liu To Road and Hang Mei Street, Tsing Yi (Tsing Yi Town Lot No. 192), the latest project of “The Met.” series, presale was launched in August 2021. Approximately 80% of the units are studio flats and the others are one-bedroom and specific-designed units. The project was well-received and sought after by single people, branch families and young home buyers. As at the date of this announcement, 208 out of 320 units released have been sold with contracted sales of approximately HK\$967.7 million. The superstructure work is currently undergoing at the site and the units are expected to be delivered in fourth quarter of 2022.

In September 2021, the Group has successfully completed the acquisition of the site located at Nos. 26–48 Ming Fung Street, Wong Tai Sin through compulsory sales. The site area and gross floor area are approximately 9,600 square feet and 81,000 square feet, respectively. This project will be redeveloped as part of “The Met.” series and the demolition work will commence in the first quarter of 2022.

In June 2021, the Group has acquired full ownership of the site located at Nos. 34 and 36 Main Street, Nos. 5, 7 and 9 Wai Fung Street, Ap Lei Chau, Hong Kong. The site area and gross floor area is approximately 4,100 square feet and 38,500 square feet, respectively. This project will be redeveloped as part of “The Met.” series and the demolition work will commence in the first quarter of 2022.

In January 2021, the Group has successfully completed the acquisition of the site located at 50–62 Larch Street and 6–8 Lime Street Tai Kok Tsui through compulsory sales. The gross floor area is approximately 61,500 square feet and the site is currently under foundation work. This project will be redeveloped into “The Met.” series.

In October 2020, the Group and CIFI formed a new joint venture group (the “**JV Group**”), in which CIFI and the Group own 60% and 40% equity interest, respectively. The JV Group has acquired No. 101 and No. 111 King’s Road, Fortress Hill for a total sum of HK\$1.88 billion. The total site area is approximately 12,400 square feet. Situated between North Point commercial area and Victoria Park in Causeway Bay, the sites of King’s Road are positioned at a convenient location within only a few minutes’ walk to Fortress Hill MTR Station. The sites are planned to be redeveloped into a residential project with commercial space. This project is in the planning stage.

In July 2020, the Group successfully acquired a new redevelopment site in Ap Lei Chau (Nos.120–126, Main Street, Ap Lei Chau). The site is adjacent to MTR Lei Tung Station with convenient and fast access to the South Island Line which travels to and from central business districts in Hong Kong and Kowloon. The total attributable gross floor area upon redevelopment is approximately 37,100 square feet. Foundation work is currently undergoing at the site.

In April 2018, the Group has completed the acquisition of all the 16 properties located at Nos.86A–86D Pokfulam Road, Hong Kong. The site is located at a traditional luxury residential area with easy access to Central. It will be redeveloped into luxurious properties and is undergoing the foundation works. The Group owns 70% equity interest in this property development project.

As at 31 October 2021, the Group’s development land portfolio is as follows:

Location	Approximate site area (Square feet)	Approximate gross floor area (Square feet)	Intended usage	Anticipated year of completion	Interest attributable to the Group
86A–86D Pokfulam Road	28,500	28,500	Residential	2023	70%
Junction of Liu To Road and Hang Mei Street (Tsing Yi Town Lot No. 192)	14,400	90,000	Residential and Commercial	2022	100%
Nos. 120–126 Main Street Ap Lei Chau	3,600	37,100	Residential and Commercial	2024	100%
Nos. 34 and 36 Main Street, Nos. 5, 7 and 9 Wai Fung Street, Ap Lei Chau	4,100	38,500	Residential and Commercial	2025	100%
50–62 Larch Street and 6–8 Lime Street Tai Kok Tsui	6,800	61,500	Residential and Commercial	2024	100%
Nos. 26–48 Ming Fung Street, Wong Tai Sin	9,600	81,000	Residential and Commercial	2025	100%
No. 101 and No. 111, King’s Road, Fortress Hill	12,400	129,400	Residential and Commercial	2025	40%

The Group is currently working on an urban redevelopment project with over 90% ownerships secured. Applications to the court are being made in respect of all these projects for compulsory sale orders under the Land (Compulsory Sale for Redevelopment) Ordinance (Chapter 545 of the Laws of Hong Kong). In the event that no court order is granted, the Group may not be able to complete to the consolidation of the ownership for redevelopment. Redevelopment can only be implemented upon acquisition of the full ownership of the relevant projects. The total attributable gross floor area upon redevelopment is approximately 93,700 square feet. All the development project are financed by both external banking facilities and internal resources.

In 8 November 2021, the Group has entered into a subscription and shareholders’ agreement (the “**Transaction**”) with Stichting Depositary APG Strategic Real Estate Pool (“**APG Partner**”). After the subscription of share from the Group, a new joint venture company is formed to engage in acquisition of residential properties in Hong Kong for development and redevelopment for sales. The Group considers the co-operation with the Pool presents a good opportunity to leverage on the Group’s knowledge and expertise in property acquisition and project management and to partner with an experienced investor to expand the business. The

Transaction is subject to shareholders' approval. Please refer to the Group's announcement dated 8 November 2021 for detailed content.

Property Investment

As at 30 September 2021, the Group's portfolio of investment properties comprised of commercial and industrial units located in Hong Kong with a total carrying value of approximately HK\$580.0 million (31 March 2021: approximately HK\$571.2 million).

During the reporting period, the Group received gross rental income of approximately HK\$6.0 million (six months ended 30 September 2020: approximately HK\$4.9 million), representing an increase of approximately 22.4%. The increase in gross rental income was primarily attributable to new leases entered into with tenants and completion of rent-free period during the reporting period.

In June 2021, the Group and three independent third parties formed a new joint venture (the "**Parkville JV**"), in which the Group owns 64% of its equity interest. The other three partners are independent third parties to the Group and all their ultimate beneficial owners are experienced investor, namely Mr. Chiu Lon Ronald, Mr. Bryan Taft Southergill and Mr. Choi, Raymond Yat-Hong. The Parkville JV acquired 11 shop units and certain lift, lift lobby(ies) and staircase(s) on the ground floor and first floor of THE PARKVILLE, No.88 Tuen Mun Heung Sze Wui Road, Tuen Mun, New Territories (the "**Parkville Property**") for a consideration of HK\$300.0 million. The Parkville Property has a total gross floor area of 13,858 square feet and is situated at Tuen Mun Heung Sze Wui Road intersecting Luk Yuen Street. It enjoys excellent traffic from one of the busiest roads with well-developed neighborhood. The only 3-minute walk from Tuen Mun MTR Station, Tuen Mun Light Rail Station, Tuen Mun commercial centre, transportation hub with cross border coach terminal and the affiliated large scale shopping mall via footbridge further brings vibrancy and creates a more dynamic prosperity. The Parkville JV will further refurbish the Parkville Property to optimise the tenant mix and rental income and is expected to broaden its prospect and thus, increase the future rental value, thereby enhancing the future capital appreciation.

In September 2021, the Group partnered with an independent third party, Jumbo Holding (BVI) L.P. ("**Jumbo Holding**") to form a joint venture (the "**Jumbo JV**"), in which the Group owns 50% equity interest upon completion of share subscription by Jumbo Holding, to acquire eight stories of carpark podium of Jumbo Court, No.3 Welfare Road, Aberdeen, Hong Kong (the "**Jumbo Property**") for a consideration of HK\$410.3 million. Jumbo Holding is a limited partnership established in the British Virgin Islands, with its general partner, AGR X Asia Member GP, L.L.C, being managed by Angelo, Gordon & Co, L.P ("**AG**"), a well-known U.S. licensed investment manager. The limited partners of Jumbo Holding are investment funds managed by AG with wide investor base, and all eligible investors are "qualified purchasers" under the U.S. Investment Company Act of 1940. Such investment funds are not single purpose investment funds. The Jumbo Property provides a

total of 509 car parking spaces and is next to various major residential buildings and private club and is about a few minutes of walking distance from the Wong Chuk Hang MTR Station. Given its proximity to major residential developments and the MTR comprehensive development above the Wong Chuk Hang MTR Station which is scheduled to provide approximately 3.9 million square feet of residential gross floor area in 5,200 units and 510,000 square feet of retail space, it is expected that the Jumbo Property could meet the huge demand for parking spaces once the comprehensive development is completed in phases. The Jumbo JV will renovate the Jumbo Property to optimise the rental return and enhance the capital appreciation.

The Group has also partnered with Kohlberg Kravis Roberts & Co. L.P. (“**KKR**”) to own two commercial accommodations, known as “Lake Silver” located at No. 599 Sai Sha Road, Ma On Shan, Sha Tin, New Territories, Hong Kong and “The Parkside” located at No.18 Tong Chun Street, Tseung Kwan O, New Territories, Hong Kong. The Group has 50% equity interest in each project. The Group has refurbished the property, improved the tenant mix and enhanced the rental yield. As at the date of this announcement, Lake Silver is fully let and The Parkside gets an occupancy rate over 90%.

On 30 July 2021, the Group has entered into the provisional agreement to sell the issued share and shareholder’s loan of the holding company of the office on 30th Floor, United Centre, No. 95 Queensway, Hong Kong, with a consideration of HK\$515.0 million. This transaction was completed on 26 October 2021. The Group considered that this disposal will enable the reallocation of resources into future investment opportunities and pursue other growth opportunities. For the detailed information, please refer to the Company announcement and circular dated 30 July 2021 and 23 September 2021, respectively.

The Group will keep looking for opportunities to expand its investment properties portfolio through both self-acquisition and strategic partnership. By utilizing the Group’s expertise in asset management, it would seek to secure its existing the recurring rental and asset management income and explore strategic expansion opportunities for additional recurring income and capital appreciation.

Reference is also made to the prospectus of the Company dated 30 March 2016, in which it was stated that as at 21 March 2016, the parent company (Wang On Group Limited) and its subsidiaries (excluding the Group) owned a total of 48 residential investment properties (“**Excluded Properties**”) which were not injected into the Group as part of the spin-off listing of the Company in April 2016. The Company has been informed by Wang On Group Limited that 39 out of these 48 Excluded Properties had been sold as of 31 October 2021.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2021, the Group's total assets less current liabilities were approximately HK\$8,475.0 million (31 March 2021: approximately HK\$7,994.6 million) and the current ratio was approximately 2.8 times (31 March 2021: approximately 2.4 times). As at 30 September 2021, the Group had cash and cash equivalents of approximately HK\$702.2 million (31 March 2021: approximately HK\$826.5 million).

Aggregate bank borrowings as at 30 September 2021 amounted to approximately HK\$5,079.1 million (31 March 2021: approximately HK\$4,696.9 million). The gearing ratio was approximately 87.0% (31 March 2021: approximately 77.1%), calculated by reference to the Group's total bank borrowings net of cash and cash equivalents and the equity attributable to owners of the parent. As at 30 September 2021, the Group's property, plant and equipment, investment properties, properties under development and properties held for sales, with carrying value of approximately HK\$87.5 million, HK\$580.0 million, HK\$5,794.1 million and HK\$580.0 million (31 March 2021: approximately HK\$84.6 million, HK\$571.2 million, HK\$4,892.5 million and HK\$580.0 million) were pledged to secure the Group's general banking facilities.

The Group's capital commitment as at 30 September 2021 amounted to approximately HK\$975.0 million (31 March 2021: approximately HK\$516.0 million). In addition, as at 30 September 2021, the Group did not have share of joint ventures' own capital commitments (31 March 2021: approximately \$145.0 million). The Group has given guarantee to banks in connection with facilities granted to joint ventures up to HK\$450.8 million (31 March 2021: nil) and were utilized to the extent of HK\$435.4 million as at 30 September 2021 (31 March 2021: nil). Save as disclosed herein, the Group had no significant contingent liabilities as at the end of the reporting period.

The Group strengthens and improves its risk control on a continual basis and adopted a prudent approach in its financial management. Financial resources are under close monitoring to ensure the Group's smooth operation, as well as flexibility to respond to market opportunities and uncertainties. Management of the Group is of the opinion that the Group's existing financial structure and resources are healthy and sufficient for the Group's needs in the foreseeable future.

DEBT PROFILE AND FINANCIAL PLANNING

As at 30 September 2021, interest-bearing debt profile of the Group was analysed as follows:

	30 September 2021 HK\$'000	31 March 2021 HK\$'000
Bank borrowings repayable:		
Within one year or on demand	1,869,284	1,953,857
In the second year	1,397,108	1,036,292
In the third to fifth years, inclusive	1,812,663	1,706,787
	5,079,055	4,969,936
Other borrowings repayable:		
In the second year	204,730	202,270
	5,283,785	4,899,206

The effective interest rate of bank borrowings is approximately 2.3% per annum (31 March 2021: approximately 1.8%) and other borrowings carry at a fixed interest at 6.0% (31 March 2021: 6.0%) per annum.

TREASURY POLICY

The Group's treasury policy includes diversifying the funding sources. Internally generated cash flow and interest-bearing bank borrowings during the period are the general source of funds to finance the operation of the Group. The Group regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations.

The Group has entered into interest rate swap contracts for the purpose of converting part of the Group's borrowings from floating rates into fixed interest rate in order to mitigate the interest rate risk.

FOREIGN EXCHANGE

Management of the Group is of the opinion that the Group has no material foreign exchange exposure. All bank borrowings are denominated in Hong Kong dollars. The revenue of the Group, being mostly denominated in Hong Kong dollars, matches the currency requirements of the Group's operating expenses. The Group therefore has not engaged in any hedging activities during the period under review.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed above, during the period under review, the Group did not have any other significant investments held, material acquisitions and disposals of subsidiaries and future plans for material investments or capital assets.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2021, the Group had 141 (2020: 126) employees in Hong Kong. The Group remunerates its employees mainly based on industry practices and individual performance and experience. In addition to salaries, we provide discretionary bonuses based on individual performance and our business performance, medical insurance coverage and a wide range of leave entitlements. The Group also provides a defined contribution to the Mandatory Provident Fund (“MPF”) as required under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for our eligible employees in Hong Kong.

The Company operates a share option scheme (the “**Share Option Scheme**”) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group. Share options may be granted to any director or proposed director (whether executive or non-executive, including independent non-executive director), employee or proposed employee (whether full-time or part-time), secondee, any holder of securities issued by any member of the Group, any person or entity that provides research, development or other technology support or advisory, consultancy, professional or other services to any member of the Group or any substantial shareholder or company controlled by a substantial shareholder, or any company controlled by one or more persons belonging to any of the above classes of participants. The Share Option Scheme became effective on 9 August 2016 and, unless otherwise terminated earlier by shareholders in a general meeting, will remain in force for a period of 10 years from that date.

PROSPECTS

In the first half of 2021, following the global roll-out of COVID-19 vaccines that slowed the spread of the pandemic, the confidence and performance of the world's major economies rebound. In Hong Kong, the labour market also improved, with the unemployment rate from April to June falling to 5.5%.

With the help of ongoing low interest rate environment and strong end-user demand, the property market is kept on the stable rising track. Many developers have launched new projects and the market responses are positive. The Group launched the pre-sales of The Met. Azure in August 2021. The performance was remarkable that all the units released for sales on the first day were sold out. Up to the date of this announcement, contracted sales in the amount of HK\$967.7 million were recorded.

The Group have invested in two new commercial projects during the reporting period, namely the Parkville Property and Jumbo Property. Both projects were joint ventured with experienced investors and the Group has taken the role of asset manager. The Group will continue to seek new investment opportunities and collaboration with strategic partners.

The Group is cautiously optimistic on the property market and will continue to monitor market changes closely whilst keep looking for and evaluating available opportunities in property acquisition and collaboration with strategic partners to strengthen the real estate business.

SUSTAINABLE DEVELOPMENT

Facing the continuous challenges brought by the COVID-19 pandemic, more stringent test and quarantine guidelines have been implemented at our properties, office, and construction sites to safeguard the health of customers, tenants, employees and working partners. The Group has also provided rental relief and other forms of support to its tenants whose businesses have been affected.

The Group has taken measures to promote environmental-friendliness of the workplace by encouraging paper-recycling culture and energy-saving culture within our Group. The Group also participated in the BEAM Plus assessment scheme, a comprehensive environmental assessment scheme for buildings recognized by the Hong Kong Green Building Council, for the development of some of our properties by engaging a third-party consultancy company for the provision of services in respect of BEAM Plus Certification and other environmental assessments. The Group also includes green elements into project planning and design and oversees the environmental performances of contractors during the construction phase.

For all development projects, the design and specifications of the Mechanical, Electrical and Plumbing (MEP) systems conform to latest Building Energy Codes. The Group also outsourced all of the construction-related work for our property development projects to independent construction companies. Our contractors in relation to our property development business are subject to various environmental laws and regulations, including those relating to waste disposal, water pollution control, air pollution control, drainage control and noise control. They are also required to submit for approval and to subsequently implement Waste Management Plan for all construction sites of the development projects to ensure the compliance.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the six months ended 30 September 2021.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

In the opinion of the Board, the Company has complied with the applicable code provisions of the Corporate Governance Code set out in Appendix 14 to the Listing Rules throughout the period for the six months ended 30 September 2021.

The Group is committed to maintaining a high standard of corporate governance with a strong emphasis on transparency, accountability, integrity and independence and enhancing the Company's competitiveness and operating efficiency, to ensure its sustainable development and to generate greater returns for the shareholders of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted its code of conduct regarding the securities transactions by the Directors on terms no less exacting terms than the required standard set forth in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Having made specific enquiries of all Directors, the Company confirmed that all Directors had complied with the required standard set out in the Model Code throughout the period under review and up to the date of this announcement and no incident of non-compliance by the Directors was noted by the Company during the period under review.

AUDIT COMMITTEE

The Company has established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules for the purposes of reviewing and providing supervision over, among other things, the Group's financial reporting process, internal controls, risk management and other corporate governance issues. The Audit Committee has reviewed with management the unaudited condensed consolidated financial information for the six months ended 30 September 2021 of the Group. The Audit Committee comprises three independent non-executive Directors, namely Mr. Li Wing Sum Steven, Mr. Sung Tze Wah and Sr Dr. Leung Tony Ka Tung. Mr. Li Wing Sum Steven was elected as the chairman of the Audit Committee.

PUBLICATION OF RESULTS ANNOUNCEMENT AND DESPATCH OF INTERIM REPORT

The interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.woproperties.com). The 2021 interim report containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and available on the above websites in due course.

By Order of the Board
WANG ON PROPERTIES LIMITED
宏安地產有限公司
Tang Ho Hong

Executive Director and Chief Executive Officer

Hong Kong, 22 November 2021

As at the date of this announcement, the Board comprises Mr. Tang Ho Hong, Ms. Wong Chin Han and Ms. Ching Tak Won Teresa as executive Directors; and Mr. Li Wing Sum Steven, Mr. Sung Tze Wah and Sr Dr. Leung Tony Ka Tung as independent non-executive Directors.