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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 2023

INTERIM FINANCIAL HIGHLIGHTS			
	Six months ended		Change
	30 September		
	2023	2022	
	(Unaudited)	(Unaudited)	
	HK\$ million	HK\$ million	
Revenue	287	1,261	-77%
Gross profit	80	189	-58%
Profit attributable to owners of the parent	268	68	+294%
Earnings per share (<i>HK cent</i>)			
Basic and diluted	1.76	0.44	+294%
	As at	As at	
	30 September	31 March	
	2023	2023	
	(Unaudited)	(Audited)	
	HK\$ million	HK\$ million	
Net asset value	5,402	5,283	+2%
Net asset value per share (<i>HK\$</i>)	0.355	0.348	+2%

INTERIM RESULTS

The board of directors (the “**Board**” or the “**Director(s)**”) 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 2023, together with the comparative figures for the corresponding period in 2022. 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 2023

		Six months ended 30 September	
	Notes	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
REVENUE	4	286,655	1,260,786
Cost of sales		<u>(206,935)</u>	<u>(1,071,969)</u>
Gross profit		79,720	188,817
Other income and gains, net	4	28,049	47,882
Selling and distribution expenses		(69,859)	(85,788)
Administrative expenses		(54,449)	(54,864)
Other expenses	6	–	(20,974)
Finance costs	5	(80,688)	(50,159)
Impairment losses on financial assets, net		(701)	(11,705)
Write-down of properties under development		–	(5,620)
Write-down of properties held for sale		–	(32,514)
Fair value gains/(losses) on investment properties, net		3,800	(320)
Fair value losses on financial assets and liabilities at fair value through profit or loss, net		(7,193)	(870)
Share of profits and losses of joint ventures		<u>375,990</u>	<u>108,048</u>
PROFIT BEFORE TAX	6	274,669	81,933
Income tax expense	7	<u>(7,388)</u>	<u>(14,371)</u>
PROFIT FOR THE PERIOD		<u><u>267,281</u></u>	<u><u>67,562</u></u>

	Six months ended	
	30 September	
<i>Note</i>	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
OTHER COMPREHENSIVE LOSS		
<i>Other comprehensive loss 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	(37,891)	(67,496)
Reclassification adjustments for losses included in profit or loss:		
— losses on disposal/redemption, net	—	20,974
— impairment losses, net	704	11,316
	<u>(37,891)</u>	<u>(67,496)</u>
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	(37,187)	(35,206)
	<u>(37,187)</u>	<u>(35,206)</u>
OTHER COMPREHENSIVE LOSS FOR THE PERIOD		
	(37,187)	(35,206)
	<u>(37,187)</u>	<u>(35,206)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		
	230,094	32,356
	<u>230,094</u>	<u>32,356</u>
Profit/(loss) attributable to:		
Owners of the parent	267,697	67,627
Non-controlling interests	(416)	(65)
	<u>267,697</u>	<u>67,627</u>
	267,281	67,562
	<u>267,281</u>	<u>67,562</u>
Total comprehensive income/(loss) attributable to:		
Owners of the parent	230,510	32,421
Non-controlling interests	(416)	(65)
	<u>230,510</u>	<u>32,421</u>
	230,094	32,356
	<u>230,094</u>	<u>32,356</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT		
Basic and diluted	8	
	HK1.76 cents	HK0.44 cent
	<u>HK1.76 cents</u>	<u>HK0.44 cent</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 September 2023

	30 September 2023	31 March 2023
<i>Note</i>	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
NON-CURRENT ASSETS		
Property, plant and equipment	92,489	98,492
Investment properties	72,000	147,000
Club membership	17,780	16,800
Properties under development	2,135,674	1,992,527
Interests in joint ventures	3,989,081	3,538,229
Loan and interest receivables	17,808	887
Deposits and other receivables	156,308	156,308
Debt investments at fair value through other comprehensive income	22,890	101,714
Financial assets at fair value through profit or loss	50,901	49,510
Deferred tax assets	3,965	7,729
	6,558,896	6,109,196
CURRENT ASSETS		
Properties under development	2,858,499	2,243,399
Properties held for sale	50,635	245,808
Trade receivables	8,426	8,203
Loan and interest receivables	7,276	11,696
Prepayments, other receivables and other assets	195,816	221,618
Cost of obtaining contracts	12,006	13,360
Tax recoverable	3,288	2,798
Debt investments at fair value through other comprehensive income	41,750	6,450
Financial assets at fair value through profit or loss	34,497	14,346
Cash and bank balances	510,440	869,150
	3,722,633	3,636,828
Assets of disposal companies	79,098	–
	3,801,731	3,636,828

		30 September 2023	31 March 2023
	<i>Note</i>	(Unaudited)	(Audited)
		HK\$'000	HK\$'000
CURRENT LIABILITIES			
Trade payables	<i>11</i>	59,949	73,740
Other payables and accruals		170,196	128,614
Contract liabilities		41,785	43,355
Interest-bearing bank and other borrowings		2,593,974	2,167,915
Tax payable		8,504	5,122
		2,874,408	2,418,746
Liabilities of disposal companies		19,250	–
Total current liabilities		2,893,658	2,418,746
NET CURRENT ASSETS		908,073	1,218,082
TOTAL ASSETS LESS CURRENT LIABILITIES		7,466,969	7,327,278
NON-CURRENT LIABILITIES			
Other payables and accruals		2,492	6,661
Financial liabilities at fair value through profit or loss		592	–
Interest-bearing bank and other borrowings		2,060,990	2,037,447
Deferred tax liabilities		593	482
Total non-current liabilities		2,064,667	2,044,590
Net assets		5,402,302	5,282,688
EQUITY			
Equity attributable to owners of the parent			
Issued capital		15,200	15,200
Reserves		5,382,218	5,256,588
		5,397,418	5,271,788
Non-controlling interests		4,884	10,900
Total equity		5,402,302	5,282,688

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 2023 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 consolidated financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 March 2023.

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 2023, 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 new and 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 dollars (“**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 new and revised HKFRSs for the first time for the current period's unaudited interim condensed consolidated financial information:

HKFRS 17	<i>Insurance Contracts</i>
Amendments to HKFRS 17	<i>Insurance Contracts</i>
Amendment to HKFRS 17	<i>Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to HKAS 12	<i>International Tax Reform – Pillar Two Model Rules</i>

The nature and impact of the new and revised HKFRSs that are applicable to the Group are described below:

- (a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since 1 April 2023. The amendments did not have any impact on the Group's interim condensed consolidated financial information but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.
- (b) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 April 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.
- (c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments did not have any significant impact on the financial position or performance of the Group.

- (d) Amendments to HKAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after 1 January 2023, but are not required to disclose such information for any interim periods ending on or before 31 December 2023. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

3. OPERATING SEGMENT INFORMATION

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

- (a) the property development segment engages in the development of properties;
- (b) the property investment segment engages in investment in commercial and industrial premises for rental or for sale; and
- (c) asset management segment earns fee income for managing assets on behalf of the Group's capital partners via investment vehicles.

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, loss on disposal of financial assets, fair value losses on financial assets and liabilities at fair value through profit or loss, impairment losses on financial assets, 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 2023 and 2022, and the non-current assets of the Group were located in Hong Kong as at 30 September and 31 March 2023.

Six months ended 30 September

	Property development		Property investment		Asset management		Total	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Segment revenue:								
Sales to external customers	258,433	1,250,044	2,037	1,635	26,185	9,107	286,655	1,260,786
Other income	14,026	17,487	4	15,762	–	–	14,030	33,249
Total	272,459	1,267,531	2,041	17,397	26,185	9,107	300,685	1,294,035
Segment results	(2,074)	113,338	369,503	81,515	9,921	(7,194)	377,350	187,659
<i>Reconciliation</i>								
Interest income from bank deposits							5,474	502
Interest income from loan receivables							–	170
Interest income from debt investments at fair value through other comprehensive income							5,346	11,378
Interest income from financial assets at fair value through profit or loss							2,640	2,583
Dividend income from financial assets at fair value through profit or loss							559	–
Loss on disposal of debt investments at fair value through other comprehensive income							–	(20,974)
Fair value losses on financial assets and liabilities at fair value through profit or loss, net							(7,193)	(870)
Impairment losses on financial assets, net							(701)	(11,705)
Finance costs							(80,688)	(50,159)
Corporate and unallocated expenses							(28,118)	(36,651)
Profit before tax							274,669	81,933
Income tax expense							(7,388)	(14,371)
Profit for the period							267,281	67,562

4. REVENUE, OTHER INCOME AND GAINS, NET

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

	Six months ended 30 September	
	2023	2022
	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>
Revenue		
<i>Revenue from contracts with customers</i>		
Sale of properties	258,433	1,250,044
Provision of asset management service	26,185	9,107
<i>Revenue from other source</i>		
Rental income	2,037	1,635
	<u>286,655</u>	<u>1,260,786</u>

Revenue from contracts with customers

(i) Disaggregated revenue information

For the period ended 30 September 2023

Segment	Property development (Unaudited) <i>HK\$'000</i>	Asset management (Unaudited) <i>HK\$'000</i>	Total (Unaudited) <i>HK\$'000</i>
Types of goods or services			
Sale of properties	258,433	–	258,433
Asset management services	–	26,185	26,185
	<u>258,433</u>	<u>26,185</u>	<u>284,618</u>
Timing of revenue recognition			
Goods or services transferred at a point in time	258,433	20,000	278,433
Services transferred over time	–	6,185	6,185
	<u>258,433</u>	<u>26,185</u>	<u>284,618</u>

For the period ended 30 September 2022

Segment	Property development (Unaudited) <i>HK\$'000</i>	Asset management (Unaudited) <i>HK\$'000</i>	Total (Unaudited) <i>HK\$'000</i>
Types of goods or services			
Sale of properties	1,250,044	–	1,250,044
Asset management services	–	9,107	9,107
	<u>1,250,044</u>	<u>9,107</u>	<u>1,259,151</u>
Timing of revenue recognition			
Goods or services transferred at a point in time	1,250,044	2,160	1,252,204
Services transferred over time	–	6,947	6,947
	<u>1,250,044</u>	<u>9,107</u>	<u>1,259,151</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.

Asset management services

For base management fees, asset management fees, project management fees and development management fees, the performance obligation is satisfied over time as services are rendered. For acquisition fees, lease fees and promote fees, the performance obligation is satisfied at a point in time upon the successful acquisition of properties, carrying out leasing services and reaching the performance target, as the customers only receive and consume the benefits provided by the Group upon successful acquisition, provision of leasing services and reaching or exceeding certain internal rate of return target, respectively.

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

	Six months ended 30 September	
	2023	2022
	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>
Within one year	528,056	619,128
After one year	–	174,740
	<u>528,056</u>	<u>793,868</u>

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

	Six months ended 30 September	
	2023	2022
	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>
Other income and gains, net		
Interest income from bank deposits	5,474	502
Interest income from loan receivables	–	170
Interest income from debt investments at fair value through other comprehensive income	5,346	11,378
Interest income from financial assets at fair value through profit or loss	2,640	2,583
Dividend income from financial assets at fair value through profit or loss	559	–
Forfeiture of deposits from customers	626	1,709
Gain on disposal of subsidiaries	–	14,551
Management fee income	4,515	3,871
Others	8,889	13,118
	<u>28,049</u>	<u>47,882</u>

5. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 September	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Interest on bank and other borrowings	142,047	76,448
Interest portion of lease liabilities	165	197
	<u>142,212</u>	<u>76,645</u>
Less: Interest capitalised	<u>(61,524)</u>	<u>(26,486)</u>
	<u><u>80,688</u></u>	<u><u>50,159</u></u>

6. PROFIT BEFORE TAX

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

	Six months ended 30 September	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Cost of properties sold**	195,173	1,060,802
Cost of services provided**	11,672	11,090
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties**	90	77
Depreciation of owned assets	406	674
Depreciation of right-of-use assets	6,578	6,873
Losses on disposal of debt investments at fair value through other comprehensive income*	–	20,974
	<u><u>–</u></u>	<u><u>20,974</u></u>

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

** These expenses are included in “Cost of sales” in the condensed consolidated statement of profit or loss and other comprehensive income.

Note:

Wage subsidies of HK\$1,542,000 granted from the Employment Support Scheme under Anti-Epidemic Fund for the use of paying wages of employees from May to July 2022 were received during the six months ended 30 September 2022. These subsidies were recognised in “Administrative expenses” and offset with the employee benefit expenses for the six months ended 30 September 2022.

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 September 2022: 16.5%) on the estimated assessable profits arising in Hong Kong during the period.

	Six months ended 30 September	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current – Hong Kong		
Charge for the period	3,513	5,822
Underprovision in prior periods	–	39
Deferred	3,875	8,510
	<u>3,875</u>	<u>8,510</u>
Total tax charge for the period	<u>7,388</u>	<u>14,371</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 2023 is based on the profit for the period attributable to owners of the parent of HK\$267,697,000 (six months ended 30 September 2022: HK\$67,627,000) and the weighted average number of ordinary shares of 15,200,000,000 (six months ended 30 September 2022: 15,200,000,000).

No adjustment has been made to the basic earnings per share presented for the six months ended 30 September 2023 and 2022 as the Group had no potentially dilutive ordinary shares in issue during these periods.

9. DIVIDENDS

	Six months ended 30 September	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Final dividend paid – HK0.69 cent (2022: HK0.75 cent) per ordinary share	<u>104,880</u>	<u>114,000</u>

The Board does not recommend the payment of any interim dividend in respect of the six months ended 30 September 2023 (six months ended 30 September 2022: Nil).

10. TRADE RECEIVABLES

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	30 September 2023 (Unaudited) HK\$'000	31 March 2023 (Audited) HK\$'000
Within 1 month	8,426	2,915
1 to 3 months	—	5,288
	<u>8,426</u>	<u>8,203</u>

The Group's customers normally settle their bills in a timely manner and the Group's trade receivables as at the end of the reporting period aged less than three months. As such, the Group's exposure to credit risk is insignificant and the directors of the Company were of the opinion that the expected credit losses ("ECLs") of these trade receivables are minimal.

11. 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 2023 (Unaudited) HK\$'000	31 March 2023 (Audited) HK\$'000
Within 30 days	<u>59,949</u>	<u>73,740</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 2023 (six months ended 30 September 2022: 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 2023 amounted to approximately HK\$286.7 million (six months ended 30 September 2022: approximately HK\$1,260.8 million) and approximately HK\$267.7 million (six months ended 30 September 2022: approximately HK\$67.6 million), respectively. The profit for the six months ended 30 September 2023 was mainly attributable to the share of results of joint ventures and delivery of property projects.

No other expenses was noted for the reporting period (six months ended 30 September 2022: approximately HK\$21.0 million), as no debt investments at fair value through other comprehensive income was disposed during the period.

The finance costs amounted to approximately HK\$80.7 million (six months ended 30 September 2022: approximately HK\$50.2 million). The increment was mainly due to the increase in interest rates.

The share of profits and losses of joint ventures amounted to approximately HK\$376.0 million (six months ended 30 September 2022: approximately HK\$108.0 million). The increment was mainly due to the increase in profits contributed by the commercial portfolio.

BUSINESS REVIEW

Property Development

Revenue recognized in this business segment during the reporting period amounted to approximately HK\$258.4 million which was mainly attributable to the delivery of "The Met. Azure" project and "LADDER Dundas" (six months ended 30 September 2022: approximately HK\$1.3 billion).

"The Met. Azure" project located at the junction of Liu To Road and Hang Mei Street, Tsing Yi (Tsing Yi Town Lot No. 192) and was launched in August 2021. As at the date of this announcement, 319 units have been sold. The total sales proceeds amounted to approximately HK\$1.6 billion.

In July 2022, the Group has launched the sales of “LADDER Dundas”, the own-developed Ginza-style commercial property. Situated at 575 Nathan Road within Kowloon’s Yau Tsim Mong district, LADDER Dundas is a 19-storey building in the heart of visitor flow and consuming power. As at the date of this announcement, all units and signage were sold. The total sales proceeds amounted to approximately HK\$616.9 million.

The Group has launched the pre-sales of “Larchwood” in August 2022. The “Larchwood” project is located in the core area of Kowloon and is supported by well-developed community facilities. This project is the Group’s first urban redevelopment commercial and residential project in a long time. The project leverages on the competitive advantages of our previous projects and also incorporates more humanized designs to achieve harmony with the old and new cultures in the community. As at the date of this announcement, 105 out of 187 units have been sold. The total sales proceeds amounted to approximately HK\$572.1 million.

The Group has acquired the site located at Nos. 86A-86D Pokfulam Road, Hong Kong in 2018. The project is named as “Mount Pokfulam” and offers seven houses, each with a unique street number of its own. Each house has its own private garden, private carport, an elevator ensuring connectivity from the lower ground floor to the roof and a private swimming pool. The project has obtained the pre-sales consent as at the date of this announcement. The Group owns 70% equity interest in this property development project.

In May 2023, the Group has completed the acquisition of the site located at Nos. 18-20 Sze Shan Street, Yau Tong and the total costs amounted to approximately HK\$940.6 million. The total site area is approximately 41,700 square feet and it is planned to be redeveloped into a residential project with commercial space.

In June 2023, the Group has successfully acquired a site located at Nos. 3-9 Finnie Street, Quarry Bay, Hong Kong for HK\$412 million. The total site area is approximately 4,200 square feet and it is planned to be redeveloped into a residential project with commercial space.

In November 2023, the Group has completed the consolidation of the ownership of an urban redevelopment project through compulsory sales. The project is located at Nos. 17-23 Ap Lei Chau Main Street, 7-9 Ping Lan Street and 37-39 Shan Shi Street. The site area is approximately 6,600 square feet and it is planned to be redeveloped into a residential project with commercial spaces.

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, 543 of the 547 units released have been sold and the aggregate sales proceeds amounted to approximately HK\$7.1 billion. The Group owns 40% equity interest in this development project.

In November 2021, the Group has formed a new joint venture company (“**APG JV**”) with the depository of APG Strategic Real Estate Pool (“**APG**”). The Group owns 50% equity interest in APG JV. As at the date of this announcement, there are 6 projects held in APG JV in total, namely Nos. 120-130, Main Street, Ap Lei Chau, Nos. 34 and 36 Main Street, Nos. 5, 7 and 9 Wai Fung Street, Ap Lei Chau, Nos. 26-48 Ming Fung Street, Wong Tai Sin, Nos. 31-41 and 45 Fei Fung Street, Wong Tai Sin, Nos. 12-16, 18-20, 22 and 24 Ting Yip Street, Ngau Tau Kok and Nos. 101 and 111 King’s Road, Fortress Hill. As at the date of this announcement, the project located at Nos. 34 and 36 Main Street, Nos. 5, 7 and 9 Wai Fung Street, Ap Lei Chau is undergoing superstructure works and the other projects are in the stage of foundation works.

As at the date of this announcement, the Group’s development land portfolio is as follows:

Location	Approximate site area (square feet)	Approximate	Intended usage	Anticipated year of completion	Interest attributable to the Group
		gross floor area (square feet)			
Nos. 86A-86D Pokfulam Road	28,500	28,500	Residential	2023	70%
Nos. 50-62 Larch Street and 6-8 Lime Street, Tai Kok Tsui	6,800	61,500	Residential and Commercial	2024	100%
Nos. 120-130 Main Street, Ap Lei Chau	7,200	74,200	Residential and Commercial	2025	50%
Nos. 34 and 36 Main Street, and Nos. 5, 7 and 9 Wai Fung Street, Ap Lei Chau	4,100	38,500	Residential and Commercial	2025	50%
Nos. 26-48 Ming Fung Street, Wong Tai Sin	9,600	81,300	Residential and Commercial	2025	50%
Nos. 31-41 and 45 Fei Fung Street, Wong Tai Sin	10,400	93,700	Residential and Commercial	2025	50%
Nos. 12-16, 18-20, 22 and 24 Ting Yip Street, Ngau Tau Kok	5,200	46,300	Residential and Commercial	2025	50%
Nos. 101 and 111, King’s Road, Fortress Hill	12,400	131,600	Residential and Commercial	2026	50%
Nos. 3-9 Finnie Street, Quarry Bay	4,200	39,100	Residential and Commercial	2026	100%
Nos. 17-23 Ap Lei Chau Main Street, 7-9 Ping Lan Street and 37-39 Shan Shi Street, Ap Lei Chau	6,600	68,800	Residential and Commercial	2027	100%
Nos. 18-20 Sze Shan Street, Yau Tong	41,700	269,000	Residential and Commercial	2028	100%

The Group is always exploring different channels to increase its land banks. Apart from its participation in public tenders, the Group has also actively worked on acquisitions of ownerships in old buildings with a view to providing stable land resource for future development.

Property Investment

As at 30 September 2023, 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\$150.8 million (31 March 2023: approximately HK\$147.0 million).

The Group's gross rental income during the period, inclusive of contributions from joint ventures, amounted to approximately HK\$87.0 million (six months ended 30 September 2022: approximately HK\$45.8 million), representing an increase of approximately 90%. The increase in gross rental income was primarily attributable to the new acquisition of leasing properties.

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 storeys of carpark podium of Jumbo Court, No. 3 Welfare Road, Aberdeen, Hong Kong (the "**Jumbo Property**") for a consideration of HK\$410.3 million. The Jumbo Property provides a total of 509 car parking spaces and it is located 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 Property is fully let as at the date of this announcement.

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 has an occupancy rate of over 97%.

Apart from the international investment organizations, the Group has formed a joint venture (the “**Parkville JV**”) with three independent third parties in which the Group owns 64% of its equity interest. The ultimate beneficial owners of these three partners are experienced investors, namely Mr. Chiu Lon Ronald, Mr. Bryan Taft Southergill and Mr. Choi, Raymond Yat-Hong. The Parkville JV owns the entire interests in the ground floor and first floor of THE PARKVILLE, No. 88 Tuen Mun Heung Sze Wui Road, Tuen Mun, New Territories (the “**Parkville Property**”). The Parkville Property has a total gross floor area of 13,858 square feet and is situated at Tuen Mun Heung Sze Hui Road intersecting Luk Yuen Road. As at the date of this announcement, the Parkville Property is fully let. As at the date of this announcement, 3 out of 15 shops amounted to approximately HK\$65.0 million were sold.

In September 2023, two wholly-owned subsidiaries of the Company entered into sale and purchase agreements with a wholly-owned subsidiary of Wai Yuen Tong Medicine Holdings Limited (“**WYT**”) to sell the entire issued share capital and shareholder’s loans of two property holding companies for an aggregate initial consideration of HK\$78.8 million. Completion of the disposals took place on 25 October 2023 and 15 November 2023, respectively. Please refer to the joint announcement of the Company and WYT dated 8 September 2023 and the circular of the Company dated 29 September 2023 for further details.

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 40 out of these 48 Excluded Properties had been sold as of the date of this announcement.

Asset Management

The Group has entered into joint ventures with different strategic partners in both residential developments and commercial investments. By leveraging on its resources and networks in Hong Kong market, the Group also manages the assets on behalf of the capital partners of some of these joint ventures.

As the asset manager of the invested assets, the Group earns fee incomes, including, asset management fees, acquisition fees, development fees and leasing fees, as well as promote fees upon reaching or exceeding certain target internal rate of return and after the Group's joint venture partners having received their targeted capital returns.

In December 2022, the Group has formed a new joint venture with Angelo, Gordon & Co., L.P. for the acquisition and operation of the property located at No. 19 Luk Hop Street, Kowloon, Hong Kong, including the hotel building currently erected thereon formerly known as "Pentahotel Hong Kong, Kowloon". The property will be rebranded as "Sunny House" and is expected to offer 720 rooms to market. As at the date of this announcement, the property is undergoing renovation and is planned to reopen in the first quarter of 2024.

Other than managing two commercial accommodation investments, namely "Lake Silver" and "The Parkside", in which the Group co-invested with KKR in 2019, the Group has been engaged as the asset manager in the Parkville JV and the Jumbo JV. The details of the managed assets can be referred to in the above section "Property Investment" in this announcement.

The Group has also partnered with the APG in December 2022 for acquisition of residential properties in Hong Kong for development and re-development for sales. As the asset manager, the Group involves in the site evaluation, acquisition, construction management and sales.

During the reporting period, the Group recorded fee incomes amounting to approximately HK\$26.2 million (six months ended 30 September 2022: approximately HK\$9.1 million). The increase was mainly due to the addition of new managed assets.

By utilizing the Group's expertise in asset management, it would seek to secure its asset management income and explore strategic expansion opportunities for additional recurring income.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2023, the Group's total assets less current liabilities were approximately HK\$7,467.0 million (31 March 2023: approximately HK\$7,327.3 million) and the current ratio was approximately 1.3 times (31 March 2023: approximately 1.5 times). As at 30 September 2023, the Group had cash and bank balances of approximately HK\$510.4 million (31 March 2023: approximately HK\$869.2 million).

Aggregate bank borrowings as at 30 September 2023 amounted to approximately HK\$4,127.5 million (31 March 2023: approximately HK\$3,999.1 million). The gearing ratio was approximately 67% (31 March 2023: approximately 59.4%), calculated by reference to the Group's total bank borrowings net of cash and bank balances and the equity attributable to owners of the parent. As at 30 September 2023, the Group's property, plant and equipment, investment properties and properties under development, with carrying value of approximately HK\$76.5 million, HK\$150.8 million and HK\$4,945.9 million, respectively (31 March 2023: approximately HK\$78.1 million, HK\$147.0 million, HK\$4,187.6 million, respectively and properties held for sale of approximately HK\$123.5 million) were pledged to secure the Group's general banking facilities.

The Group's capital commitment as at 30 September 2023 amounted to approximately HK\$920.3 million (31 March 2023: approximately HK\$1,121.8 million). In addition, as at 30 September 2023, the Group's share of joint ventures' own capital commitments amounted to approximately HK\$186.5 million (31 March 2023: approximately HK\$110.9 million). The Group has provided guarantee to banks in connection with facilities granted to a joint venture up to HK\$700.8 million (31 March 2023: HK\$450.8 million) and were utilized to the extent of HK\$426.5 million as at 30 September 2023 (31 March 2023: HK\$250.3 million). 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 2023, interest-bearing debt profile of the Group was analysed as follows:

	30 September	31 March
	2023	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank loans repayable:		
Within one year or on demand	2,066,489	1,961,685
In the second year	1,369,729	2,037,447
In the third to fifth years, inclusive	691,261	–
	<u>4,127,479</u>	<u>3,999,132</u>
Other loans repayable		
Within one year	527,485	206,230
	<u>4,654,964</u>	<u>4,205,362</u>

The effective interest rate of bank loans is approximately 7.2% per annum (31 March 2023: approximately 4.9%) and other loans carry a fixed interest ranged from 6.0% to 7.7% (31 March 2023: 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 six months ended 30 September 2023 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 ETC 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, associates and joint ventures and future plans for material investments or capital assets.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2023, the Group had 149 (31 March 2023: 128) 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

With the relaxation of pandemic restrictions and re-opening of borders last year, property prices and transaction volumes were both rebounded early this year. Nevertheless, the sentiment was still dampened by the interest rate hikes and geographic tensions, the monthly transactions dropped from the second half-year.

In the latest Policy Address, the Chief Executive proposed the easing of the “spicy” property policies, including cutting buyers’ stamp duties on new homes and New Residential Stamp Duty by half. The special stamp duty, which was originally not required to be levied if resold after three years, has now been shortened to two years. Also, a stamp duty suspension mechanism for eligible incoming talents purchasing residential properties in Hong Kong has been implemented. In addition, revised or new policies are proposed to attract and retain talents in Hong Kong. All these measures should have positive impacts on the property market.

The Government also launched “Hello Hong Kong” campaign and “Colorful Nightlife” events to stimulate local and tourists’ consumptions. At the same time, the Group set up different marketing campaigns in the commercial investments to increase the footfall and spending.

Both the international and domestic economy have yet to be consolidated and recovered under the existing uncertainties. The Group will be cautious and prudent towards business development and financial positions.

SUSTAINABILITY

The Group is deeply committed to incorporating sustainability into every aspect of its operations. The Company actively participates in a range of corporate social responsibility activities, including collaborations with local universities, to foster the growth of future leaders and contribute to the progress of sustainable development.

As at the date of this announcement, the Group has converted approximately HK\$7.2 billion bank facilities into sustainability-linked loan (“SLL”). This SLL is directly tethered to the Group’s 5-Year Environmental, Social and Governance (“ESG”) roadmap, which includes its commitment to achieve outstanding results in Global Real Estate Sustainability Benchmark (“GRESB”) assessment. The Group has received a 4-Star rating for the Development Benchmark under the 2023 GRESB and ranked 3rd in its peer comparison.

Additionally, the Group has been honored with several awards this year, including Institute of ESG & Benchmark: ESG Achievement Awards 2022/2023 – Outstanding ESG Awards (Listed Company) – Gold Award, InnoESG Prize: ESG Award 2022 – People-Centric ESG Goodwill, TVB ESG Award – ESG Special Recognition Award and Chinese YMCA of Hong Kong: Y-care CSR Scheme 2022/23 – Bronze Partner.

These awards have showcased the Group’s unwavering commitment to building a sustainable future and its proactive stance towards environmental and social responsibility.

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 2023.

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 (the “**CG Code**”) set out in Appendix 14 to the Listing Rules throughout the period for the six months ended 30 September 2023 save as below:

After the resignation of the former non-executive chairman on 8 February 2021, the Company has been searching suitable candidate to fill the vacancy. However, the search process has not been successful. As at the date of this announcement, no chairman has been appointed and the Company will continue to search for the replacement and will make announcement as and when required under the Listing Rules. During the reporting period, the substantive corporate governance functions of the chairman of the Board under the applicable provisions of the CG Code were performed by the Company’s chief executive officer and executive Director, Mr. Tang Ho Hong, a deviation from Code C.2.1 of the CG Code.

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 standards set forth in the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 to the Listing Rules. Having made specific enquiries with of all Directors, the Company confirmed that all Directors had complied with the required standards set out in the Model Code throughout the reporting period and up to the date of this announcement and no incident of non-compliance by the Directors was noted by the Company during the reporting period.

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 statements for the six months ended 30 September 2023 of the Group. The Audit Committee comprises all four independent non-executive Directors, namely Mr. Li Wing Sum Steven, Mr. Sung Tze Wah, Sr Dr. Leung Tony Ka Tung and Dr. Chan Ho Wah Terence. Mr. Li Wing Sum Steven is 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 2023 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, 28 November 2023

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, Sr Dr. Leung Tony Ka Tung and Dr. Chan Ho Wah Terence as independent non-executive Directors.