



宏安地產  
WANG ON PROPERTIES

Incorporated in Bermuda with limited liability  
Stock Code: 1243

The Cornerstone To Build The Future

A PASSION FOR  
TOMORROW

見愛·建明天

Interim Report 2016



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# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Mr. Wong Yiu Hung Gary,  
*Chief Executive Officer*  
Mr. Tang Ho Hong

### Non-executive Director

Mr. Chan Chun Hong, *Chairman*

### Independent Non-executive Directors

Mr. Li Wing Sum Steven  
Mr. Sung Tze Wah  
Sr Dr. Leung Tony Ka Tung

## AUDIT COMMITTEE

Mr. Li Wing Sum Steven, *Chairman*  
Mr. Sung Tze Wah  
Sr Dr. Leung Tony Ka Tung

## REMUNERATION COMMITTEE

Sr Dr. Leung Tony Ka Tung, *Chairman*  
Mr. Li Wing Sum Steven  
Mr. Sung Tze Wah  
Mr. Chan Chun Hong  
Mr. Wong Yiu Hung Gary

## NOMINATION COMMITTEE

Mr. Chan Chun Hong, *Chairman*  
Mr. Li Wing Sum Steven  
Mr. Sung Tze Wah  
Sr Dr. Leung Tony Ka Tung  
Mr. Tang Ho Hong

## EXECUTIVE COMMITTEE

Mr. Wong Yiu Hung Gary, *Chairman*  
Mr. Tang Ho Hong

## COMPANY SECRETARY

Ms. Wong Chin Han

## AUTHORISED REPRESENTATIVES

Mr. Chan Chun Hong  
Mr. Wong Yiu Hung Gary

## AUDITORS

Ernst & Young

## LEGAL ADVISERS

Reed Smith Richards Butler  
DLA Piper Hong Kong  
Gallant

## COMPLIANCE ADVISER

Kingston Corporate Finance Limited

## REGISTERED OFFICE

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 3201, 32/F., Skyline Tower  
39 Wang Kwong Road  
Kowloon Bay, Kowloon, Hong Kong  
(takes effect on 3 December 2016)

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN BERMUDA

Codan Services Limited  
Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

## BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Investor Services Limited  
Level 22, Hopewell Centre  
183 Queen's Road East  
Hong Kong

## PRINCIPAL BANKERS

China CITIC Bank International Limited  
China Everbright Bank Co., Ltd  
DBS Bank (Hong Kong) Limited  
Hang Seng Bank Limited  
The Bank of East Asia, Limited  
The Hongkong and Shanghai Banking Corporation Limited

## BOARD LOT

4,000 shares

## INVESTOR RELATIONS

Email: [pr@woproperties.com](mailto:pr@woproperties.com)

## HOMPAGE

[www.woproperties.com](http://www.woproperties.com)

## STOCK CODE

1243

# Interim Dividend

The board of directors (the “**Board**”) of Wang On Properties Limited (the “**Company**”, together with its subsidiaries, collectively referred to as the “**Group**”) does not recommend the payment of any interim dividend for the six months ended 30 September 2016 (six months ended 30 September 2015: Nil).

# Management Discussion and Analysis

## BUSINESS REVIEW

The Group's revenue for the six months ended 30 September 2016 amounted to approximately HK\$60.3 million (six months ended 30 September 2015: approximately HK\$535.6 million). Profit attributable to owners of the parent for the six months period ended 30 September 2016 was approximately HK\$11.4 million (six months period ended 30 September 2015: approximately HK\$108.2 million). The decrease in revenue and profit was primarily attributable to the fact that the Company's existing projects under development are not expected to complete until at least the end of 2017 as disclosed in the prospectus of the Company dated 30 March 2016 (the "**Prospectus**"). The reduced profit recorded by the Group for the six months ended 30 September 2016 was also attributable to the decrease in fair value gain on the investment properties held by the Group during the period under review. The review of the individual business segments of the Group is set out below.

### Property Development

Revenue recognised in this business segment during the reporting period amounted to approximately HK\$47.8 million (six months ended 30 September 2015: approximately HK\$520.4 million) which was contributed mainly by the sale of a unit in "726 Nathan Road".

The Group has launched the pre-sales of two Ma On Shan projects, the Met. Blossom (Ma Kam Street, Ma On Shan) and the Met. Bliss (Hang Kwong Street, Ma On Shan) in August and October 2016, respectively. The total contracted pre-sales (which will be recognised as revenue of the Group upon completion and delivery of respective projects) amounted to approximately HK\$3.8 billion as at the date of this report.

## Management Discussion and Analysis (Continued)

For the Met. Blossom project, over 98% of the 640 units released were sold after three batches of sales starting from 18 August 2016. The contracted sales amounted to approximately HK\$2.5 billion and approximately 10% of which has been received as deposit by the Group as at the reporting date. The excellent market response and satisfactory results was mainly attributable to the successful sales strategy and precise positioning of the project. Selling at a close-to-market price, the project has attracted singles and young couples who are end users as well as investors, accounting for approximately 60% and 40% of the pre-sold units, respectively. The foundation works are completed and the construction of superstructure is undergoing. Expected completion of this project will be in 2018. The Group owns 60% equity interest in this development and the results and financial position are consolidated into the financial statements of the Group.

For the Met. Bliss project, over 90% of the 364 units released were sold. The contracted sales amounted to approximately HK\$1.3 billion. The Met. Bliss comprises studios, one-bedroom units and a limited number of two-bedroom units that are rarely offered in Ma On Shan, to meet the demand of small flats in the district. Same as the Met. Blossom, the foundation works are completed and the construction of superstructure is undergoing. The project is expected to be delivered in 2018. The Group owns 60% equity interest in this development and the results and financial position are consolidated into the financial statements of the Group.

The site at 575–575A Nathan Road, Mongkok has completed foundation work, construction of superstructure begins. The site will be developed into another 19-floor Ginza type commercial complex after our successful commercial development project — “726 Nathan Road”. Target completion date of this development is expected to be in late 2017.

The Group’s third residential land parcel in Sha Tin district, the site at Tai Po Road — Tai Wai section (Sha Tin Town Lot No. 587) has started its foundation works. The site is near to the Tai Wai Station on the East Rail Line and the Ma On Shan Line of the MTR. The Group solely owns this development and it is expected the project will be delivered to purchasers in 2019.

## Management Discussion and Analysis (Continued)

Development works of the site at 13 and 15 Sze Shan Street are still being paused, pending the negotiation with the Hong Kong Government in respect of the amount of land premium required for redevelopment of the site.

As at 31 October 2016, the Group had a development land portfolio as follows:

<b>Location</b>	<b>Approximate site area (Square feet)</b>	<b>Intended usage</b>	<b>Anticipated year of completion</b>
575–575A Nathan Road, Mongkok	2,100	Commercial	2017
Hang Kwong Street, Ma On Shan (Sha Tin Town Lot No. 598)	33,300	Residential	2018
Ma Kam Street, Ma On Shan (Sha Tin Town Lot No. 599)	33,300	Residential	2018
Tai Po Road — Tai Wai section (Sha Tin Town Lot No. 587)	71,000	Residential	2019
13 and 15 Sze Shan Street, Yau Tong	41,000	Residential and Commercial	2020

To support the sustainable development, the Group will continue to acquire development sites with reference to the future market supply and the preference of the potential buyers. The Group has also explored other ways of collaboration with external parties for development opportunities.

# Management Discussion and Analysis (Continued)

## Property Investment

As at 30 September 2016, 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\$580.9 million (31 March 2016: approximately HK\$579.2 million).

During the reporting period, the Group received gross rental income of approximately HK\$12.2 million (six months ended 30 September 2015: approximately HK\$16.6 million), representing a decrease of approximately HK\$4.4 million over last year. The decrease in gross rental income was primarily attributable to the disposal of several properties during the year ended 31 March 2016.

In November 2015, the Group has acquired a number of car parking spaces in Shatin Centre at a consideration of HK\$96.8 million, with a view for trading gain. Some of which has been sold during the year ended 31 March 2016. The remaining car parking spaces were all contracted for sales during the reporting period and three of which were completed during the reporting period.

## Property acquisitions subsequent to reporting period

On 4 November 2016, the Group entered into a provisional sale and purchase agreement to acquire a shop at No. 166 Sai Yeung Choi Street South, Mongkok at a consideration of HK\$83.3 million, completion of which will take place on 30 December 2016.

On 7 November 2016, the Group entered into a sale and purchase agreement to acquire the share and a shareholder's loan of a company which principally holds, through its wholly-owned subsidiary, an office premise located at 30th Floor of United Centre, No. 95 Queensway, Hong Kong, at a consideration of approximately HK\$512.2 million, completion of which will take place on 25 January 2017.



## Management Discussion and Analysis (Continued)

Save as above, there is no any material events affecting the Group which have occurred since the end of the financial period and up to the date of this report. The management of the Group will continue to pursue opportunities to acquire quality investment properties to strengthen the recurrent income portfolio.

Reference is also made to the Prospectus, in which it was stated that as at 21 March 2016, the Wang On Group Limited ("**WOG**") and its subsidiaries, but excluding the Group, are collectively referred to as the "**Remaining WOG Group**" owned a total of 48 residential investment properties (the "**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 the Remaining WOG Group that seven out of these 48 Excluded Properties had been sold as at 23 November 2016. Three of these seven properties were delivered and the others will be completed in December 2016, January 2017 and February 2017.

### LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2016, the Group's total assets less current liabilities were approximately HK\$4,339.6 million (31 March 2016: approximately HK\$3,622.7 million) and the current ratio increased from approximately 6.9 times as at 31 March 2016 to approximately 8.6 times as at 30 September 2016. As at 30 September 2016, the Group had cash and cash equivalents of approximately HK\$707.5 million (31 March 2016: approximately HK\$475.8 million).

Aggregate bank borrowings as at 30 September 2016 amounted to approximately HK\$1,793.6 million (31 March 2016: approximately HK\$1,649.4 million) and bear a floating interest rate. The gearing ratio was approximately 45.7% (31 March 2016: approximately 57.7%), 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 2016, the Group's investment properties and properties under development, with carrying value of approximately HK\$562.9 million and HK\$3,094.3 million, respectively (31 March 2016: approximately HK\$527.5 million and HK\$2,910.5 million, respectively) were pledged to secure the Group's general banking facilities.

## Management Discussion and Analysis (Continued)

The Group's capital commitment as at 30 September 2016 amounted to approximately HK\$1,217.3 million (31 March 2016: approximately HK\$127.5 million). 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 financial management. Financial resources are under close monitor to ensure the Group's smooth operation, as well as flexibility to respond to market opportunities and uncertainties. The 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 2016, interest-bearing debt profile of the Group was analysed as follows:

	<b>Outstanding amount</b> (HK\$ million)	<b>Approximate effective interest rate</b> (per annum)	<b>Maturity date</b>
Financial institution borrowings	1,793.6	2.0%	On demand or from 2016 to 2025
Non-financial institution borrowings	256.0	6.0%	2018
Total	2,049.6		

## Management Discussion and Analysis (Continued)

In order to meet the interest-bearing debts, business capital expenditure and funding needs for, *inter alia*, replenish of our land bank, enhance our portfolio of properties for investment and/or payment of construction costs for the development of our property development projects, the Group had been from time to time considering various financing alternatives including but not limited to equity fund raising, financial institution borrowings, non-financial institution borrowings, bonds issuance, convertible notes issuance, other debt financial instruments, and disposal of properties.

### TREASURY POLICY

The Group's treasury policy includes diversifying the funding sources. Internally generated cash flow, issuance of shares and interest-bearing bank and other 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.

### FOREIGN EXCHANGE

The 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 dollar. The revenue of the Group, being mostly denominated in Hong Kong dollar, matches the currency requirements of the Group's operating expenses. The Group therefore does not engage in any hedging activities.

# Management Discussion and Analysis (Continued)

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 September 2016, the Group had 54 (31 March 2016: 56) 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 as required under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for our eligible employees in Hong Kong.

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

Save for the subsidiaries of the Company as well as the acquisition of two new properties as mentioned above, there was no significant investments held, nor was there any material acquisitions or disposals of subsidiaries during the reviewing period. During the reviewing period, the Board has not yet authorised any plan for other material investments or additions of capital assets.

# Management Discussion and Analysis (Continued)

## USE OF NET PROCEEDS FROM THE SHARE OFFER

The Company has listed its shares on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 12 April 2016 (the “**Share Offer**”). Net proceeds from the Share Offer were approximately HK\$310.8 million (after deduction of the underwriting commission and relevant expenses), which are intended to be applied in the manner as disclosed in the Prospectus of the Company. As at 23 November 2016, the net proceeds from the Share Offer were utilised as follows:

	<b>Actual net proceeds</b> HK\$ million	<b>Amount utilised as at the date of this report</b> HK\$ million	<b>Amount unutilised as at the date of this report</b> HK\$ million
Acquisition of suitable development site(s) in Hong Kong to replenish our land bank for our property development business	230.0	—	230.0
Acquisition of properties for investment to enhance our portfolio of properties for investment	50.7	50.7	—
General working capital of the Group	30.1	8.4	21.7
<b>TOTAL</b>	<b>310.8</b>	<b>59.1</b>	<b>251.7</b>

The unutilised net proceeds from the Share Offer have been deposited in the bank accounts of the Group.

# Management Discussion and Analysis (Continued)

## PROSPECTS

The Hong Kong property market stabilised during the period under review and was mainly dominated by residential sales in the primary market. However, the government has announced to increase the stamp duty on the purchase of the second unit of residential property in early November 2016. It is expected that the residential property prices will be subject to market-driven adjustments in short term. Based on the past records, in addition to the concrete demand from new home buyers and relatively low-interest environment, the residential market is expected to stabilise after the adjustment.

The Group will stay active in participating in land tenders hosted by the government and looking for opportunities in property acquisition to replenish our land bank for a sustainable development of our real estate business. In respect of investment properties, the Group will continue to look for potential properties in different districts for recurrent income and capital appreciation.

# Disclosure of Interests

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 September 2016, none of the directors and chief executive of the Company and/or any of their respective associates had registered an interest or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “**SFO**”), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) under the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the period were rights to acquire benefits by means of the acquisition of shares, or underlying shares in, or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors or chief executive of the Company to acquire such rights in any other body corporate.

## Disclosure of Interests (Continued)

### SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 September 2016, to the best knowledge of the directors, the following persons had, or were deemed or taken to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

#### Long positions in the ordinary shares of the Company:

Name of shareholders	Notes	Capacity	Number of shares	Approximate percentage of the Company's total issued share capital (Note 3) %
WOG	(1)	Interest of controlled corporation	1,140,000,000	75.0
Mr. Tang Ching Ho	(2)	Other interest	1,140,000,000	75.0
Ms. Yau Yuk Yin	(2)	Other interest	1,140,000,000	75.0



## Disclosure of Interests (Continued)

*Notes:*

- (1) WOG held the entire issued share capital of Wang On Enterprises (BVI) Limited ("**WOE**"), which in turn held the entire issued share capital of Earnest Spot Limited ("**Earnest Spot**") which directly held 1,140,000,000 shares of the Company. Under the SFO, each of WOE and WOG is deemed to be interested in all the aforesaid shares held by Earnest Spot for the sole purpose of Part XV of the SFO.
- (2) Under the SFO, Mr. Tang Ching Ho was deemed to be interested in approximately 51.76% of the total issued share capital of WOG through (i) his personal interest; (ii) his spouse's interest in WOG; (iii) his corporate interest via Caister Limited, a corporation controlled by him; and (iv) his interest being an appointer of a discretionary trust, namely Tang's Family Trust. Ms. Yau Yuk Yin, the spouse of Mr. Tang Ching Ho, was also deemed to be interested in approximately 51.76% of the total issued share capital of WOG through (i) her personal interest; (ii) Mr. Tang Ching Ho's interest in WOG; and (iii) being a beneficiary of the Tang's Family Trust. Therefore, each of Mr. Tang Ching Ho and Ms. Yau Yuk Yin were deemed to be interested in all 1,140,000,000 shares of the Company held by WOG for the sole purpose of Part XV of the SFO
- (3) The relevant percentages have been calculated by reference only to the aggregate number of shares of the Company in issue of 1,520,000,000 shares as at 30 September 2016.

Save as disclosed above, as at 30 September 2016, there were no other persons who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

# Share Option Scheme

The Company adopted a new share option scheme (the “**Share Option Scheme**”) by the approval of the shareholders of the Company and WOG at the respective annual general meetings held on 9 August 2016. The Share Option Scheme became effective on 9 August 2016 and, unless otherwise terminated earlier by shareholders at a general meeting, will remain in force for a period of 10 years from that date.

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 any securities issued by any member of the Group, any person or entity that provides research, development or other technological support or any 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 under the Share Option Scheme.

During the period under review and as at 30 September 2016, no share option was granted, lapsed, cancelled or outstanding under the Share Option Scheme.

# Corporate Governance and Other Information

## 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 2016.

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.

## UPDATE ON DIRECTORS' INFORMATION

During the period under review, there is no change in information of directors of the Company since the publication of the 2016 annual report which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Save under the Share Offer, 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 2016.

### MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted its code of conduct regarding the securities transactions by the directors of the Company on terms no less exacting terms than the required standard set forth in the Model Code 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 no incident of non-compliance by the directors was noted by the Company during the period.

### AUDIT COMMITTEE

The Company has established an audit committee (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 the management the unaudited interim condensed consolidated financial statements for the six months ended 30 September 2016 of the Group. The Audit Committee comprises three independent non-executive directors of the Company, 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.

# Corporate Governance and Other Information (Continued)

## APPRECIATIONS

I would like to take this opportunity to thank our customers, business partners, shareholders and institutional investors for the continued support given to the Group during the period. I would also like to thank our fellow members of the Board and all staff for their contribution to the Group.

By Order of the Board

**Chan Chun Hong**

*Non-executive Chairman*

Hong Kong, 23 November 2016

# Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

Six months ended 30 September 2016

		<b>Six months ended</b>	
		<b>30 September</b>	
	<i>Notes</i>	<b>2016</b>	2015
		<b>(Unaudited)</b>	(Unaudited)
		<b>HK\$'000</b>	HK\$'000
<b>REVENUE</b>	5	<b>60,305</b>	535,626
Cost of sales		<b>(26,786)</b>	(352,306)
Gross profit		<b>33,519</b>	183,320
Other income and gains, net	5	<b>4,043</b>	3,284
Selling and distribution expenses		<b>(37,215)</b>	(32,603)
Administrative expenses		<b>(39,723)</b>	(49,910)
Finance costs	6	<b>(3,694)</b>	(15,274)
Fair value gains on investment properties, net		<b>2,398</b>	39,224
Reversal of write-down of properties under development		<b>44,411</b>	—
<b>PROFIT BEFORE TAX</b>	7	<b>3,739</b>	128,041
Income tax expense	8	<b>(248)</b>	(20,591)
<b>PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>3,491</b>	107,450
Profit and total comprehensive income attributable to:			
Owners of the parent		<b>11,425</b>	108,193
Non-controlling interests		<b>(7,934)</b>	(743)
		<b>3,491</b>	107,450
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>	9		
Basic and diluted		<b>HK0.76 cent</b>	HK9.49 cents

# Condensed Consolidated Statement of Financial Position

30 September 2016

	Notes	<b>30 September 2016 (Unaudited) HK\$'000</b>	31 March 2016 (Audited) HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	11	306	70
Investment properties		580,900	579,200
Properties under development	11	404,804	350,000
Deferred tax assets		5,497	1,577
Total non-current assets		<b>991,507</b>	930,847
<b>CURRENT ASSETS</b>			
Properties under development	11	2,699,606	2,560,519
Properties held for sale		66,743	92,473
Prepayments, deposits and other receivables		313,600	14,977
Tax recoverable		2,384	1,022
Cash and cash equivalents		707,500	475,831
Total current assets		<b>3,789,833</b>	3,144,822
<b>CURRENT LIABILITIES</b>			
Trade payables	12	24,304	37,508
Other payables and accruals		20,121	25,738
Deposits received and receipts in advance		259,457	13,567
Interest-bearing bank and other loans		109,137	326,677
Tax payable		28,672	49,448
Total current liabilities		<b>441,691</b>	452,938
<b>NET CURRENT ASSETS</b>		<b>3,348,142</b>	2,691,884
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>4,339,649</b>	3,622,731

# Condensed Consolidated Statement of Financial Position (Continued)

30 September 2016

	30 September 2016 (Unaudited) HK\$'000	31 March 2016 (Audited) HK\$'000
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>4,339,649</b>	3,622,731
<b>NON-CURRENT LIABILITIES</b>		
Other payables	29,420	21,973
Interest-bearing bank and other loans	1,940,468	1,567,044
Deferred tax liabilities	3,041	2,573
Total non-current liabilities	<b>1,972,929</b>	1,591,590
Net assets	<b>2,366,720</b>	2,031,141
<b>EQUITY</b>		
<b>Equity attributable to owners of the parent</b>		
Issued capital	15,200	1
Reserves	2,360,768	2,032,454
	<b>2,375,968</b>	2,032,455
<b>Non-controlling interests</b>	<b>(9,248)</b>	(1,314)
Total equity	<b>2,366,720</b>	2,031,141



# Condensed Consolidated Statement of Changes in Equity

Six months ended 30 September 2016

	Attributable to owners of the parent								
	Notes	Share					Total	Non-controlling interests	Total equity
		Issued capital	premium account	Contributed surplus	Capital reserve	Retained profits			
		(unaudited) HK\$'000	(unaudited) HK\$'000	(unaudited) HK\$'000	(unaudited) HK\$'000	(unaudited) HK\$'000			
At 1 April 2015		–	–	–	(431)	238,971	238,540	(57)	238,483
Profit and total comprehensive income for the period		–	–	–	–	108,193	108,193	(743)	107,450
Dividend paid to the then shareholders	10	–	–	–	–	(170,000)	(170,000)	–	(170,000)
Deemed distribution to the Remaining WOG Group		–	–	(99)	–	–	(99)	–	(99)
At 30 September 2015		–	–	(99)	(431)	177,164	176,634	(800)	175,834
At 1 April 2016		1	–	1,553,914	(431)	478,971	2,032,455	(1,314)	2,031,141
Profit and total comprehensive income for the period		–	–	–	–	11,425	11,425	(7,934)	3,491
Issue of new shares pursuant to the Share Offer	13	3,800	345,800	–	–	–	349,600	–	349,600
Issue of new shares pursuant to the Capitalisation Issue	13	11,399	(11,399)	–	–	–	–	–	–
Share issue expenses		–	(17,512)	–	–	–	(17,512)	–	(17,512)
At 30 September 2016		15,200	316,889*	1,553,914*	(431)*	490,396*	2,375,968	(9,248)	2,366,720

\* These reserve accounts comprise the consolidated reserves of HK\$2,360,768,000 (31 March 2016: HK\$2,032,454,000) in the condensed consolidated statement of financial position.

# Condensed Consolidated Statement of Cash Flows

Six months ended 30 September 2016

		<b>Six months ended 30 September</b>	
		<b>2016</b>	2015
		<b>(Unaudited)</b>	(Unaudited)
<i>Notes</i>		<b>HK\$'000</b>	HK\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from/(used in) operations		<b>(207,370)</b>	290,417
Profits tax paid		<b>(25,838)</b>	(101,431)
Net cash flows from/(used in) operating activities		<b>(233,208)</b>	188,986
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
	5	<b>1,071</b>	110
Bank interest received			(270)
Additions to investment properties		—	(82)
	11	<b>(255)</b>	(23,963)
Purchases of items of property, plant and equipment			—
Increase in amounts due from the Remaining WOG Group		—	434
Net cash inflow from acquisition of subsidiaries		<b>434</b>	—
Net cash flows from/(used in) investing activities		<b>1,250</b>	(24,205)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Interest paid		<b>(19,660)</b>	(25,215)
Dividends paid		—	(170,000)
Repayment of bank loans		<b>(35,766)</b>	(132,314)
New bank loans		<b>178,483</b>	40,677
New other loans		<b>11,680</b>	4,000
Decrease in amounts due to the Remaining WOG Group		—	(19,934)
	13	<b>349,600</b>	—
Proceeds from issue of shares		<b>349,600</b>	—
Share issue expenses		<b>(20,710)</b>	—
Net cash flows from/(used in) financing activities		<b>463,627</b>	(302,786)

# Condensed Consolidated Statement of Cash Flows (Continued)

Six months ended 30 September 2016

	<b>Six months ended 30 September</b>	
	<b>2016</b>	2015
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>231,669</b>	(138,005)
Cash and cash equivalents at beginning of period	<b>475,831</b>	242,388
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>707,500</b>	104,383
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	<b>707,500</b>	104,383
Less: included in assets classified as held for sale	—	(1,200)
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>707,500</b>	103,183

# Notes to Condensed Consolidated Financial Statements

30 September 2016

## 1. REORGANISATION AND BASIS OF PRESENTATION

Wang On Properties Limited (the “**Company**”) is a limited liability company incorporated in Bermuda on 19 November 2015. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The principal place of business of the Company is located at 5B, Wai Yuen Tong Medicine Building, 9 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong. The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 12 April 2016.

During the period, the Company and its subsidiaries (collectively referred to as the “**Group**”) was principally engaged in the property development and property investment businesses.

Pursuant to the reorganisation of the Group in connection with the listing of the shares of the Company on the Stock Exchange (the “**Reorganisation**”), the Company became the holding company of the companies now comprising the Group on 16 March 2016. Details of the Reorganisation are set out in the section headed “History, Development and Reorganisation” in the prospectus of the Company dated 30 March 2016.

In the opinion of the directors of the Company, Earnest Spot Limited (“**Earnest Spot**”), a company incorporated in the British Virgin Islands, is the immediate holding company of the Company, and Wang On Group Limited (“**WOG**”), a company incorporated in Bermuda and whose shares are listed on the Main Board of the Stock Exchange, is the ultimate holding company of the Company. WOG and its subsidiaries, but excluding the Group, are collectively referred to as (the “**Remaining WOG Group**”)

Pursuant to the Reorganisation, the Company became the holding company of the companies now comprising the Group on 16 March 2016. Since the companies now comprising the Group were under the common control of the controlling shareholder both before and after the Reorganisation, these financial statements have been prepared using the principles of merger accounting.

# Notes to Condensed Consolidated Financial Statements (Continued)

30 September 2016

## 1. REORGANISATION AND BASIS OF PRESENTATION (Continued)

The condensed consolidated statements of profit or loss and other comprehensive income, condensed consolidated statements of changes in equity and condensed consolidated statements of cash flows of the Group for the six months ended 30 September 2016 and 2015 include the results and cash flows of all companies now comprising the Group from the earliest date presented or since the date when the subsidiaries first came under the common control of the controlling shareholder, where this is a shorter period.

Equity interests in companies now comprising the Group held by parties other than the controlling shareholder and changes therein prior to the Reorganisation are presented as non-controlling interests in equity in applying the principles of merger accounting. All intra-group transactions and balances have been eliminated on consolidation.

## 2. BASIS OF PREPARATION

The unaudited interim condensed consolidated financial statements of the Group have 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 (the “**Listing Rules**”).

The unaudited interim condensed consolidated financial statements do 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 2016.

# Notes to Condensed Consolidated Financial Statements (Continued)

30 September 2016

## 2. BASIS OF PREPARATION (Continued)

The accounting policies and the basis of preparation adopted in the preparation of these unaudited interim condensed consolidated financial statements are consistent with those adopted in the Group's audited financial statements for the year ended 31 March 2016, 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 3 below.

These unaudited interim condensed consolidated financial statements have been prepared under the historical cost convention, except for investment properties, which have been measured at fair value. These unaudited interim condensed consolidated financial statements are presented in Hong Kong dollar ("**HK\$**") and all values are rounded to the nearest thousand except when otherwise indicated.

# Notes to Condensed Consolidated Financial Statements (Continued)

30 September 2016

## 3. 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 statements:

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	<i>Investment Entities: Applying the Consolidation Exception</i>
Amendments to HKFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations</i>
HKFRS 14	<i>Regulatory Deferral Accounts</i>
Amendments to HKAS 1	<i>Disclosure Initiative</i>
Amendments to HKAS 16 and HKAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>
Amendments to HKAS 16 and HKAS 41	<i>Agriculture: Bearer Plants</i>
Amendments to HKAS 27 (2011)	<i>Equity Method in Separate Financial Statements</i>
<i>Annual Improvements to HKFRSs 2012–2014 Cycle</i>	Amendments to a number of HKFRSs

The adoption of these new and revised HKFRSs has had no significant financial effect on these unaudited interim condensed consolidated financial statements and there have been no significant changes to the accounting policies in the unaudited interim condensed consolidated financial statements.

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective in the current accounting period.

# Notes to Condensed Consolidated Financial Statements (Continued)

30 September 2016

## 4. 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 and the trading of car parking spaces, industrial and commercial 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/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income, finance costs and head office and corporate expenses are excluded from such measurement.



# Notes to Condensed Consolidated Financial Statements (Continued)

30 September 2016

## 4. OPERATING SEGMENT INFORMATION (Continued)

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	
	2016	2015	2016	2015	2016	2015
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
<b>Segment revenue:</b>						
Sales to external customers	47,822	520,446	12,483	15,180	60,305	535,626
Other revenue	3,327	2,871	2,043	39,853	5,370	42,724
Total	51,149	523,317	14,526	55,033	65,675	578,350
<b>Segment results</b>	11,336	97,511	8,539	45,694	19,875	143,205
<i>Reconciliation:</i>						
Bank interest income					1,071	110
Finance costs					(3,694)	(15,274)
Corporate and unallocated expenses					(13,513)	—
Profit before tax					3,739	128,041
Income tax expense					(248)	(20,591)
Profit for the period					3,491	107,450
<b>Other segment information</b>						
Depreciation	19	4	—	980	19	984
Reversal of write-down of properties under development	44,411	—	—	—	44,411	—
Capital expenditure*	255	82	—	270	255	352
Fair value gains/(losses) on investment properties, net	363	(326)	2,035	39,550	2,398	39,224

\* Capital expenditure consists of additions to property, plant and equipment and investment properties.

# Notes to Condensed Consolidated Financial Statements (Continued)

30 September 2016

## 5. REVENUE, OTHER INCOME AND GAINS, NET

Revenue represents proceeds from the sale of properties, gross rental income received and property management fee income received and receivable from investment properties.

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

	<b>Six months ended 30</b>	
	<b>September</b>	
	<b>2016</b>	2015
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
<b>Revenue</b>		
Sale of properties	48,140	518,278
Gross rental income	12,165	16,612
Property management fee income	—	736
	<b>60,305</b>	<b>535,626</b>
<b>Other income and gains, net</b>		
Bank interest income	1,071	110
Forfeiture of deposits from customers	2,311	2,461
Others	661	713
	<b>4,043</b>	<b>3,284</b>

# Notes to Condensed Consolidated Financial Statements (Continued)

30 September 2016

## 6. FINANCE COSTS

An analysis of finance costs is as follows:

	<b>Six months ended 30 September</b>	
	<b>2016</b> <b>(Unaudited)</b> <b>HK\$'000</b>	2015 (Unaudited) HK\$'000
Interest on bank and other loans	28,526	33,404
Less: interest capitalised	(24,832)	(18,130)
	<b>3,694</b>	15,274

## 7. PROFIT BEFORE TAX

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

	<b>Six months ended 30 September</b>	
	<b>2016</b> <b>(Unaudited)</b> <b>HK\$'000</b>	2015 (Unaudited) HK\$'000
Cost of services provided	—	3,187
Cost of properties sold	25,730	348,466
Depreciation	19	984
Minimum lease payments under operating leases	2,673	1,606
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties	1,056	653

# Notes to Condensed Consolidated Financial Statements (Continued)

30 September 2016

## 8. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 September 2015: 16.5%) on the estimated assessable profits arising in Hong Kong during the period.

	<b>Six months ended 30</b>	
	<b>September</b>	
	<b>2016</b>	2015
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Current — Hong Kong		
Charge for the period	<b>3,700</b>	16,117
Overprovision in the prior periods	<b>—</b>	(127)
Deferred	<b>(3,452)</b>	4,601
<b>Total tax charge for the period</b>	<b>248</b>	20,591

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

The calculation of the basic earnings per share for the six months ended 30 September 2016 is based on the profit for the period attributable to owners of the parent of HK\$11,425,000 (six months ended 30 September 2015: HK\$108,193,000), and the weighted average number of ordinary shares of 1,497,158,470 (six months ended 30 September 2015: 1,140,000,000) in issue during the six months ended 30 September 2016, on the assumption that the Reorganisation and the Capitalisation Issue (as defined in note 13(iii) to this unaudited interim condensed consolidated financial statements) in connection with the listing of the Company had been completed by 1 April 2015.

# Notes to Condensed Consolidated Financial Statements (Continued)

30 September 2016

## 9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (Continued)

The weighted average number of ordinary shares used to calculate the basic earnings per share amount for the six months ended 30 September 2016 included 100,000 ordinary shares of the Company issued on 2 December 2015, 1,139,900,000 new ordinary shares issued on 12 April 2016 pursuant to the Capitalisation Issue, on the assumption that these shares had been in issue throughout the six months ended 30 September 2016, and the weighted average number of 357,158,470 ordinary shares of the Company issued upon the completion of the listing of the Company, as further detailed in note 13 to the unaudited interim condensed consolidated financial statements.

The weighted average number of ordinary shares used to calculate the basic earnings per share amount for the six months ended 30 September 2015 was based on 1,140,000,000 ordinary shares, representing the number of ordinary shares of the Company immediately after the Capitalisation Issue, as if all these shares had been in issue throughout the six months ended 30 September 2015.

No adjustment has been made to the basic earnings per share presented for the six months ended 30 September 2016 and 2015 as the Group had no potentially diluted ordinary shares in issue during those periods.

# Notes to Condensed Consolidated Financial Statements (Continued)

30 September 2016

## 10. DIVIDENDS

		Six months ended 30 September	
	Note	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Special dividends	(i)	—	170,000

Notes:

- (i) During the six months ended 30 September 2015 and before the completion of the Reorganisation, certain subsidiaries of the Company declared special dividends aggregating HK\$170,000,000 to their then shareholders. No special dividends was declared during the six months ended 30 September 2016. No rate of dividend paid or proposed is presented as such information is not meaningful having regard for the purpose of these unaudited interim condensed consolidated financial statements.
- (ii) The directors do not recommend the payment of any dividend for the six months ended 30 September 2016.

## 11. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT AND PROPERTIES UNDER DEVELOPMENT

During the six months ended 30 September 2016, the Group incurred HK\$255,000 (six months ended 30 September 2015: HK\$82,000) on the additions of items of property, plant and equipment.

During the six months ended 30 September 2016, the Group incurred HK\$149,480,000 (six months ended 30 September 2015: HK\$81,978,000) on the additions of properties under development.

# Notes to Condensed Consolidated Financial Statements (Continued)

30 September 2016

## 12. TRADE PAYABLES

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

	<b>30 September 2016 (Unaudited) HK\$'000</b>	31 March 2016 (Audited) HK\$'000
Within 90 days	<b>24,304</b>	37,508

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.

## 13. SHARE CAPITAL

	<b>30 September 2016 (Unaudited) HK\$'000</b>	31 March 2016 (Audited) HK\$'000
Authorised:		
5,000,000,000 ordinary shares of HK\$0.01 each	<b>50,000</b>	50,000
Issued and fully paid:		
1,520,000,000 (31 March 2016: 100,000) ordinary shares of HK\$0.01 each	<b>15,200</b>	1

# Notes to Condensed Consolidated Financial Statements (Continued)

30 September 2016

## 13. SHARE CAPITAL (Continued)

The movement in the Company's share capital during the period from 19 November 2015 (date of incorporation) to 30 September 2016 is as follows:

	<i>Notes</i>	<b>Number of ordinary shares of HK\$0.01 each (Unaudited)</b>	<b>Nominal value of ordinary shares (Unaudited) HK\$'000</b>
Authorised:			
At 19 November 2015 (date of incorporation)	<i>(i)</i>	10,000,000	100
Increase in authorised share capital on 2 February 2016	<i>(ii)</i>	4,990,000,000	49,900
<hr/>			
At 31 March 2016, 1 April 2016 and 30 September 2016		5,000,000,000	50,000



# Notes to Condensed Consolidated Financial Statements (Continued)

30 September 2016

## 13. SHARE CAPITAL (Continued)

	<i>Notes</i>	<b>Number of ordinary shares of HK\$0.01 each (Unaudited)</b>	<b>Nominal value of ordinary shares (Unaudited) HK\$'000</b>
Issued and fully paid:			
At 19 November 2015 (date of incorporation)	<i>(i)</i>	—	—
Share issued on 2 December 2015	<i>(i)</i>	100,000	1
<hr/>			
At 31 March 2016 and 1 April 2016		100,000	1
Issue of new shares pursuant to the Capitalisation Issue	<i>(iii)</i>	1,139,900,000	11,399
Issue of new shares pursuant to the Share Offer	<i>(iv)</i>	380,000,000	3,800
<hr/>			
At 30 September 2016		1,520,000,000	15,200

*Notes:*

- (i) Upon incorporation on 19 November 2015, the authorised share capital of the Company was HK\$100,000 divided into 10,000,000 shares of HK\$0.01 each. 100,000 ordinary shares of HK\$0.01 each were allotted and issued to the first shareholder, Wang On Enterprises (BVI) Limited ("WOE"), on 2 December 2015. Pursuant to the Reorganisation, such shares were transferred to Earnest Spot by WOE for a consideration of HK\$1.
- (ii) On 2 February 2016, an ordinary resolution of the sole shareholder of the Company was passed and pursuant to which the authorised capital of the Company increased from HK\$100,000 to HK\$50,000,000 by the creation of an additional 4,990,000,000 shares of HK\$0.01 each.

# Notes to Condensed Consolidated Financial Statements (Continued)

30 September 2016

## 13. SHARE CAPITAL (Continued)

*Notes: (Continued)*

- (iii) Pursuant to the resolution of the shareholder passed on 17 March 2016, the Company allotted and issued a total of 1,139,900,000 shares, credited as fully paid at par, to Earnest Spot on 12 April 2016 by way of capitalisation of the sum of HK\$11,399,000 standing to the credit of the share premium account of the Company (the "**Capitalisation Issue**"). This Capitalisation Issue was conditional on the share premium account being credited as a result of the issue of new shares to the public in connection with the Company's initial public offering as detailed in note (iv) below.
- (iv) In connection with the listing of the shares of the Company on the Stock Exchange (the "**Share Offer**"), 380,000,000 new ordinary shares of HK\$0.01 each were issued at a price of HK\$0.92 per share for a total cash consideration, before expenses, of HK\$349,600,000. Dealings in the shares of the Company on the Stock Exchange commenced on 12 April 2016.
- (v) On 22 October 2016, the Group proposed a share subdivision on the basis of every one issued and unissued existing ordinary share of HK\$0.01 each in the share capital of the Company to ten subdivided shares of HK\$0.001 each (the "**Share Subdivision**"). The Share Subdivision is subject to the approval of the shareholders at the special general meeting of the Company to be held on 6 December 2016.

Upon the Share Subdivision becoming effective, the number of issued shares of the Company will be increased from 1,520,000,000 shares of HK\$0.01 each to 15,200,000,000 shares of HK\$0.001 each accordingly.

# Notes to Condensed Consolidated Financial Statements (Continued)

30 September 2016

## 14. OPERATING LEASE ARRANGEMENTS

### (a) As lessor

The Group leases its investment properties under operating lease arrangements, with leases negotiated for terms ranging from two to four years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rental adjustments according to the then prevailing market conditions.

At the end of the reporting period, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	<b>30 September 2016 (Unaudited) HK\$'000</b>	31 March 2016 (Audited) HK\$'000
Within one year	<b>23,156</b>	23,048
In the second to fifth years, inclusive	<b>13,647</b>	20,387
	<b>36,803</b>	43,435

# Notes to Condensed Consolidated Financial Statements (Continued)

30 September 2016

## 14. OPERATING LEASE ARRANGEMENTS (Continued)

### (b) As lessee

The Group leases certain of its office properties under operating lease arrangements. Leases are negotiated for terms ranging from one to three years.

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>30 September 2016 (Unaudited) HK\$'000</b>	31 March 2016 (Audited) HK\$'000
Within one year	10,259	3,497
In the second to fifth years, inclusive	16,709	6,890
	<b>26,968</b>	10,387

## 15. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	<b>30 September 2016 (Unaudited) HK\$'000</b>	31 March 2016 (Audited) HK\$'000
Contracted, but not provided for: Properties under development	<b>1,217,338</b>	127,543

# Notes to Condensed Consolidated Financial Statements (Continued)

30 September 2016

## 16. RELATED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the period:

### (a) Transactions with related parties

	Notes	Six months ended 30 September	
		2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Rental income received from a director of WOG	(i)	—	600
Transactions with Wai Yuen Tong Medicine Holdings Limited ("WYT") and its subsidiaries (collectively, the "WYT Group") <sup>#</sup>			
— Rental income	(ii)	5,100	5,513
— Rental expenses paid	(ii)	752	—
— Purchases of products	(iii)	53	—
Management fee expenses paid to the Remaining WOG Group	(iv)	—	7,308
Interest paid to WOG	(v)	—	5,189

<sup>#</sup> WYT ceased to be an associate of WOG since 29 September 2016 and became a fellow subsidiary of the Group.

# Notes to Condensed Consolidated Financial Statements (Continued)

30 September 2016

## 16. RELATED PARTY TRANSACTIONS (Continued)

### (a) Transactions with related parties (Continued)

Notes:

- (i) A property of the Group was leased to a director of WOG at a monthly rental of HK\$100,000 during the six months ended 30 September 2015. The rental was determined with reference to the prevailing market rates.
  - (ii) The transactions were based on terms mutually agreed between the Group and WYT Group.
  - (iii) The purchases from WYT Group were made according to the published prices and conditions offered by WYT Group to customers.
  - (iv) Management fees were paid to a subsidiary of WOG in respect of management services on property development and property investment.
  - (v) Interest expense paid to WOG in respect of a shareholder loan was charged at 3% per annum.
- (b) As at 30 September 2015, WOG had given guarantees to banks in respect of the bank loans granted to the Group. WOG received no consideration for providing these guarantees. As at 30 September 2016, no guarantees had been given by WOG in respect of any bank loan.

### (c) Compensation of key management personnel of the Group

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2016</b>	2015
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Short term employment benefits	<b>3,895</b>	11,360
Post-employment benefits	<b>39</b>	60
	<b>3,934</b>	11,420

# Notes to Condensed Consolidated Financial Statements (Continued)

30 September 2016

## 17. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and bank balances, financial assets included in prepayments, deposits and other receivables, financial liabilities included in trade payables, other payables and accruals and the current portion of interest-bearing bank loans approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the directors is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance department reports directly to the directors and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the directors. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of interest-bearing bank and other loans have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank and other loans as at 30 September 2016 and 31 March 2016 was assessed to be insignificant.

# Notes to Condensed Consolidated Financial Statements (Continued)

30 September 2016

## 17. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

The carrying amount of the fair values of the Group's financial instruments, other than those carrying amounts that reasonably approximate to fair value, are as follows:

	Carrying amounts		Fair values	
	30 September 2016 (Unaudited) HK\$'000	31 March 2016 (Audited) HK\$'000	30 September 2016 (Unaudited) HK\$'000	31 March 2016 (Audited) HK\$'000
<b>Financial liabilities</b>				
Interest-bearing bank and other loans	2,049,605	1,893,721	2,049,605	1,893,721



# Notes to Condensed Consolidated Financial Statements (Continued)

30 September 2016

## 18. EVENTS AFTER REPORTING PERIOD

- (i) On 4 November 2016, the Group entered into a provisional sale and purchase agreement with World Success Corporation Limited, an independent third party, to acquire a property in Hong Kong at a cash consideration of HK\$83,300,000. The transaction is expected to be completed in December 2016.
- (ii) On 7 November 2016, the Group entered into a sale and purchase agreement with Thing On Group Limited, an independent third party, to acquire the entire interest in Fession Group Limited, which has a subsidiary incorporated in Hong Kong holding a commercial property in Hong Kong, at a consideration of HK\$512,225,000. The transaction is expected to be completed in January 2017.
- (iii) Save as the events as disclosed in note 13(v) and notes 18 (i) and (ii) in this unaudited interim condensed consolidated financial statements, there is no any material events affecting the Group which have occurred since the end of the reporting period and up to the date of this report.

## 19. APPROVAL OF THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The unaudited interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 23 November 2016.