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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 FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2020

ANNUAL FINANCIAL HIGHLIGHTS			
	For the year ended 31 March 2020 HK\$ million	For the year ended 31 March 2019 HK\$ million	Change
Revenue	2,372	2,832	-16%
Gross profit	1,079	1,149	-6%
Profit attributable to owners of the parent	457	500	-9%
Earnings per share (<i>HK cents</i>)			
Basic	3.01	3.29	-9%
Diluted	3.01	3.29	-9%
Dividend per share (<i>HK cent</i>)			
Final	0.72	0.70	+3%
Special	–	0.945	N/A
	As at 31 March 2020 HK\$ million	As at 31 March 2019 HK\$ million	Change
Net asset value	4,716	4,489	+5%
Net asset value per share (<i>HK\$</i>)	0.310	0.295	+5%

RESULTS

The board of directors (the “**Board**” or the “**Directors**”) of Wang On Properties Limited (the “**Company**”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 March 2020, together with the comparative figures for the previous financial year, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 March 2020

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
REVENUE	4	2,372,090	2,831,757
Cost of sales		<u>(1,293,082)</u>	<u>(1,683,036)</u>
Gross profit		1,079,008	1,148,721
Other income and gains, net	4	78,959	61,755
Selling and distribution expenses		(215,524)	(127,034)
Administrative expenses		(136,082)	(119,197)
Impairment losses on debt investments at fair value through other comprehensive income		(8,396)	–
Finance costs	6	(94,521)	(87,315)
Fair value (losses)/gains on investment properties, net		(89,199)	70,583
Fair value gains on financial assets at fair value through profit or loss, net		2,017	–
Fair value losses on derivative financial instruments		(4,401)	–
Write-down of properties under development		(3,842)	–
(Write-down)/reversal of write-down of properties held for sale		(9,663)	88,856
Share of profits/(losses) of joint ventures		18,830	<u>(35,576)</u>
PROFIT BEFORE TAX	5	617,186	1,000,793
Income tax expenses	7	(145,308)	<u>(170,550)</u>
PROFIT FOR THE YEAR		471,878	<u>830,243</u>

	<i>Note</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
OTHER COMPREHENSIVE INCOME			
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:			
Debt investments at fair value through other comprehensive income:			
Changes in fair value		(3,623)	–
Reclassification adjustments for impairment losses included in profit or loss		8,241	–
		<hr/>	<hr/>
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		4,618	–
		<hr/>	<hr/>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX			
		4,618	–
		<hr/>	<hr/>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR			
		476,496	830,243
		<hr/>	<hr/>
Profit attributable to:			
Owners of the parent		457,320	500,302
Non-controlling interests		14,558	329,941
		<hr/>	<hr/>
		471,878	830,243
		<hr/>	<hr/>
Total comprehensive income attributable to:			
Owners of the parent		461,938	500,302
Non-controlling interests		14,558	329,941
		<hr/>	<hr/>
		476,496	830,243
		<hr/>	<hr/>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	9	HK3.01 cents	HK3.29 cents
		<hr/>	<hr/>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2020

	<i>Note</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		121,958	96,910
Investment properties		654,100	809,500
Properties under development		1,475,902	1,355,318
Investments in joint ventures		1,873,040	1,385,441
Debt investments at fair value through other comprehensive income		315,210	–
Financial assets at fair value through profit or loss		13,871	–
Prepayments, other receivables and other assets		440,038	402,078
Deferred tax assets		–	23,041
		<hr/>	<hr/>
Total non-current assets		4,894,119	4,072,288
CURRENT ASSETS			
Properties under development		2,001,086	3,328,595
Properties held for sale		842,357	687,167
Loan receivables		52,371	600,000
Prepayments, other receivables and other assets		80,170	387,311
Cost of obtaining contracts		1,360	115,779
Tax recoverable		13,327	292
Cash and cash equivalents		853,619	1,878,905
		<hr/>	<hr/>
Total current assets		3,844,290	6,998,049
CURRENT LIABILITIES			
Trade payables	<i>10</i>	33,433	118,043
Other payables and accruals		75,324	195,848
Derivative financial instruments		4,401	–
Deposits received and receipts in advance		12,004	4,547
Contract liabilities		20,955	1,955,928
Interest-bearing bank and other loans		1,093,677	1,260,228
Tax payable		299,763	253,862
		<hr/>	<hr/>
Total current liabilities		1,539,557	3,788,456

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
NET CURRENT ASSETS	<u>2,304,733</u>	<u>3,209,593</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>7,198,852</u>	<u>7,281,881</u>
NON-CURRENT LIABILITIES		
Other payables	6,441	13,184
Interest-bearing bank and other loans	2,475,505	2,777,781
Deferred tax liabilities	994	1,460
	<u> </u>	<u> </u>
Total non-current liabilities	<u>2,482,940</u>	<u>2,792,425</u>
Net assets	<u>4,715,912</u>	<u>4,489,456</u>
EQUITY		
Equity attributable to owners of the parent		
Issued capital	15,200	15,200
Reserves	4,658,065	4,446,167
	<u> </u>	<u> </u>
	<u>4,673,265</u>	<u>4,461,367</u>
Non-controlling interests	<u>42,647</u>	<u>28,089</u>
Total equity	<u>4,715,912</u>	<u>4,489,456</u>

NOTES TO FINANCIAL STATEMENTS

31 March 2020

1. BASIS OF PREPARATION

These financial statements 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 Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, derivative financial instruments, debt investments at fair value through other comprehensive income and financial assets at fair value through profit or loss, which have been measured at fair value. These financial statements are presented in Hong Kong dollars (“**HK\$**”) and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2020. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 9 HKFRS 16	<i>Prepayments Features with Negative Compensation Leases</i>
Amendments to HKAS 19	<i>Plan Amendments, Curtailment or Settlement</i>
Amendments to HKAS 28	<i>Long-term Interests in Associates and Joint Ventures</i>
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments</i>
<i>Annual Improvements to HKFRSs 2015-2017 Cycle</i>	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Except for the amendments to HKFRS 9 and HKAS 19, and *Annual Improvements to HKFRSs 2015-2017 Cycle*, which are not relevant to the preparation of the Groups financial statements, the nature and the impact of the new and revised HKFRSs are described below:

- (a) HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17.

The Group has adopted HKFRS 16 using the modified retrospective method with the date of initial application of 1 April 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustments to the opening balances at 1 April 2019, and the comparative information for the year ended 31 March 2019 was not restated and continued to be reported under HKAS 17 and related interpretations.

New definition of lease

Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 April 2019.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of properties. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for an elective exemption for leases for short-term leases (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 April 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impact of transition

Lease liabilities at 1 April 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate and included in other payables and accruals in the statement of financial position at 1 April 2019.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 April 2019.

All these assets were assessed for any impairment based on HKAS 36 on that date and included in property, plant and equipment.

For the leasehold land and building that were held to earn rental income and/or capital appreciation and previously included in investment properties measured at fair value, the Group has continued to include them as investment properties at 1 April 2019. They continued to be measured at fair value applying HKAS 40.

The Group has applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application when applying HKFRS 16 at 1 April 2019. The adoption of HKFRS 16 did not have any significant impact on the Group's consolidated financial statements.

The lease liabilities as at 1 April 2019 reconciled to the operating lease commitments as at 31 March 2019 is as follows:

	<i>HK\$'000</i>
Operating lease commitments as at 31 March 2019	1,924
Weighted average incremental borrowing rate as at 1 April 2019	3.56%
Discounted operating lease commitments as at 1 April 2019	<u>1,858</u>
Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 March 2020	<u>(1,858)</u>
Lease liabilities as at 1 April 2019	<u><u>–</u></u>

- (b) Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests joint ventures upon adoption of the amendments on 1 April 2019 and concluded that the long-term interests in joint ventures continued to be measured at amortised cost in accordance with HKFRS 9. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.
- (c) HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as “uncertain tax positions”). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation did not have any impact on the financial position or performance of the Group.

3. OPERATING SEGMENT INFORMATION

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

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

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource 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, 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 years ended 31 March 2020 and 2019, and the non-current assets of the Group were located in Hong Kong as at 31 March 2020 and 2019.

Year ended 31 March

	Property development		Property investment		Total	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Segment revenue:						
Sales to external customers	2,369,633	2,826,961	2,457	4,796	2,372,090	2,831,757
Other income	23,871	42,998	5,473	55,761	29,344	98,759
Total	<u>2,393,504</u>	<u>2,869,959</u>	<u>7,930</u>	<u>60,557</u>	<u>2,401,434</u>	<u>2,930,516</u>
Segment results	<u>801,481</u>	<u>1,067,050</u>	<u>(64,413)</u>	<u>34,062</u>	<u>737,068</u>	<u>1,101,112</u>
<i>Reconciliation</i>						
Interest income from bank deposits					17,901	18,092
Interest income from loan receivables					18,561	15,487
Interest income from debt investments at fair value through other comprehensive income					13,153	–
Fair value losses on derivative financial instruments					(4,401)	–
Fair value gains on financial asset at fair value through profit or loss					2,017	–
Impairment losses on debt investments at fair value through other comprehensive income					(8,396)	–
Finance costs					(94,521)	(87,315)
Corporate and unallocated expenses					(64,196)	(46,583)
Profit before tax					617,186	1,000,793
Income tax expenses					(145,308)	(170,550)
Profit for the year					<u>471,878</u>	<u>830,243</u>

4. REVENUE AND OTHER INCOME AND GAINS, NET

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<i>Revenue from contracts with customers</i>		
Sale of properties	2,368,405	2,823,584
<i>Revenue from another source</i>		
Rental income	<u>3,685</u>	<u>8,173</u>
	<u>2,372,090</u>	<u>2,831,757</u>

Revenue from contracts with customers

(i) Disaggregated revenue information

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

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sales of properties	<u>1,949,877</u>	<u>1,955,621</u>

(ii) *Performance obligations*

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

Sales of properties

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

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Amounts expected to be recognised as revenue:		
Within one year	249,451	2,088,380
After one year	—	4,825
	<u>249,451</u>	<u>2,093,205</u>

The contracted sales amounts allocated to the remaining performance obligations which are expected to be recognised as revenue after one year relate to the sale of properties, of which the performance obligations are to be satisfied within two years. All the other contracted sales amounts allocated to the remaining performance obligations are expected to be recognised as revenue within one year. The amounts disclosed above do not include variable consideration which is constrained.

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Other income and gains, net		
Interest income from bank deposits	17,901	18,092
Interest income from loan receivables	18,561	15,487
Interest income from debt investments at fair value through other comprehensive income	13,153	—
Forfeiture of deposits from customers	2,254	3,404
Management fee income	15,186	9,046
Gains on disposals of subsidiaries, net	—	9,140
Others	11,904	6,586
	<u>78,959</u>	<u>61,755</u>

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Cost of properties sold	1,291,139	1,680,166
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties	1,943	2,870
Depreciation of owned assets	6,424	4,074
Depreciation of right-of-use assets	6,547	–
Loss on disposal of items of property, plant and equipment	–	20
Loss on disposal of an investment property	2,700	–
Impairment losses on debt investments at fair value through other comprehensive income	8,396	–
Fair value losses/(gains), net:		
Derivative financial instruments	4,401	–
Financial assets at fair value through profit or loss	(2,017)	–
Minimum lease payments under operating leases	–	10,088
Lease payments not included in the measurement of lease liabilities	1,451	–
Auditor's remuneration	3,000	2,700
Employee benefit expense (including directors' remuneration):		
Wages and salaries	89,110	74,854
Pension scheme contributions	1,327	1,298
Less: Amount capitalised	(7,493)	(10,522)
	<u>82,944</u>	<u>65,630</u>

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interest on bank loans and other loans	160,804	136,665
Interest expenses arising from revenue contracts	972	24,592
Interest portion of lease liabilities	329	–
Less: Interest capitalised	<u>(67,584)</u>	<u>(73,942)</u>
	<u>94,521</u>	<u>87,315</u>

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current – Hong Kong		
Charge for the year	123,603	173,731
Overprovision in prior years	<u>(870)</u>	<u>(261)</u>
	122,733	173,470
Deferred	<u>22,575</u>	<u>(2,920)</u>
Total tax expense for the year	<u>145,308</u>	<u>170,550</u>

8. DIVIDENDS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Proposed special dividend – Nil (2019: HK0.945 cent) per ordinary share	–	143,640
Proposed final dividend – HK0.72 cent (2019: HK0.70 cent) per ordinary share	<u>109,440</u>	<u>106,400</u>
	<u>109,440</u>	<u>250,040</u>

The final dividend proposed subsequent to the reporting period is subject to the approval of the Company's shareholders at the forthcoming annual general meeting of the Company and have not been recognised as liabilities at the end of the reporting period.

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

The calculation of basic earnings per share for the year ended 31 March 2020 is based on the profit for the year attributable to owners of the parent of HK\$457,320,000 (2019: HK\$500,302,000) and the weighted average number of ordinary shares in issue during the year of 15,200,000,000 (2019: 15,200,000,000).

No adjustment has been made to the basic earnings per share presented for the years ended 31 March 2020 and 2019 as the Group had no potentially dilutive ordinary shares in issue during those periods.

10. TRADE PAYABLES

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 30 days	<u>33,433</u>	<u>118,043</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.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

For the financial year ended 31 March 2020, the Group's revenue and profit attributable to owners of the parent amounted to approximately HK\$2,372.1 million (2019: approximately HK\$2,831.8 million) and approximately HK\$457.3 million (2019: approximately HK\$500.3 million), respectively.

DIVIDEND

The Board has recommended the payment of a final dividend of HK0.72 cent (2019: a final dividend of HK0.70 cent and a special dividend of HK0.945 cent) per ordinary share for the year ended 31 March 2020 to shareholders whose names appear on the register of members of the Company as of Wednesday, 2 September 2020. The final dividend will be paid on or around Friday, 11 September 2020, subject to shareholders' approval at the forthcoming annual general meeting of the Company to be held on Monday, 24 August 2020.

BUSINESS REVIEW

The Group's revenue for the year ended 31 March 2020 amounted to approximately HK\$2,372.1 million (2019: approximately HK\$2,831.8 million). This was mainly attributable to completion and delivery of The Met. Acappella (the site at No. 7838 Tai Po Road – Tai Wai). Profit attributable to owners of the parent for the year was approximately HK\$457.3 million (2019: approximately HK\$500.3 million). The reduced profit was mainly attributable to the increase in fair value losses on investment properties. The review of the individual business segments of the Group is set out below.

Property Development

Revenue recognised in this business segment during the year amounted to approximately HK\$2,369.6 million (2019: approximately HK\$2,827.0 million) which was contributed mainly by completion and delivery of The Met. Acappella. As at the date of this announcement, all units of this property development project were sold.

The Group together with CIFI Holdings (Group) Co. Ltd. has launched a luxury residential series branded "NOUVELLE", by unveiling the first project "maya", located at No. 8 Shung Shan Street and No. 15 Sze Shan Street, Yau Tong since March 2019. As at the date of this announcement, 253 out of 309 units released were sold and the contracted sales amounted to approximately HK\$2.9 billion. The project is undergoing the construction of the superstructure and is expected to be delivered this year. The Group owns 50% equity interest in this property development project and is responsible for the project management.

The Group's Whitehead project (No. 11 Yiu Sha Road, Ma On Shan) which is co-developed with Country Garden Holdings Company Limited and China State Construction International Holdings Limited, namely "Altissimo" was launched in December 2018. As at the date of this announcement, 429 out of 534 units released were sold and the contracted sales amounted to approximately HK\$3.7 billion. The occupation permit of this project was granted and is expected to be delivered this year. The Group owns 40% equity interest in this property development project.

In April 2018, Rich United Limited, an indirectly non-wholly owned subsidiary of the Company, completed the acquisition of all the 16 properties at Nos. 86A-86D Pokfulam Road, Hong Kong. The site will be redeveloped into luxurious properties and is undergoing the site work. The Group owns 70% equity interest in this property development project.

The new "The Met." project located at Tsing Yi Town Lot No. 192, at the junction of Liu To Road and Hang Mei Street, Tsing Yi is undergoing the superstructure work. The land is situated within a developed community with comprehensive amenities, including large shopping malls such as Maritime Square, as well as Tsing Yi Park, Tsing Yi Sports Ground and Tsing Yi Swimming Pool, that can provide a wide variety of leisure and shopping choices for residents. It also has the convenience of easy accessibility, being only within several minutes ride to Tsing Yi MTR Station, and is also connected with major highways, including Tsing Ma Bridge, Tai Lam Tunnel, and Ting Kau Bridge of Tuen Mun Road. The project occupies approximately 14,400 square feet with an expected total permitted residential floor area of approximately 80,000 square feet. It can be used for both commercial and residential development and is designed to provide a public transportation terminal (minibus station).

As at 31 May 2020, the Group had a development land portfolio as follows:

Location	Approximate site area (Square feet)	Approximate gross floor area (Square feet)	Intended usage	Anticipated year of completion	Interest attributable to the Group
No. 8 Shung Shan Street and No. 15 Sze Shan Street, Yau Tong	41,000	272,000	Residential and Commercial	2020	50%
No. 11 Yiu Sha Road, Ma On Shan	253,000	388,000	Residential	2020	40%
Nos. 86A – 86D Pokfulam Road	28,500	28,500	Residential	2021	70%
Junction of Liu To Road and Hang Mei Street (Tsing Yi Town Lot No. 192)	14,400	90,000	Residential and Commercial	2022	100%

The Group is always exploring different channels to increase its land banks. During the year, the Group has acquired two urban redevelopment projects with over 80% (less than 100%) ownership secured. Their ownership are expected to be consolidated by applications to the court for compulsory sale under the “Land (Compulsory Sale for Redevelopment) Ordinance” (Chapter 545 of the Laws of Hong Kong). In the event that no court order is granted, the Group may not be able to complete the consolidation of the ownership for development. The total site area and attributable gross floor area upon redevelopment are approximately 16,000 square feet and 143,000 square feet, respectively.

Property Investment

As at 31 March 2020, 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\$654.1 million (31 March 2019: approximately HK\$809.5 million).

During the year, the Group received gross rental income of approximately HK\$3.7 million (2019: approximately HK\$8.2 million), representing a decrease of approximately HK\$4.5 million over last year. The decrease in gross rental income was primarily attributable to the disposal of several properties during the reporting year.

On 24 January 2019, the Group won the tender for a retail podium comprising car parking spaces and the retail podium of the ground floor and the level one of the residential accommodation known as “Lake Silver” located at No. 599 Sai Sha Road, Ma On Shan, Sha Tin, New Territories, Hong Kong from Kowloon-Canton Railway Corporation, at a total consideration of HK\$653.0 million. On 29 April 2019, the Group has disposed of 50% equity interest in this property investment project to an independent third party. Completion of the acquisition took place on 16 May 2019. Details of the transaction were set out in the joint announcement published by the Company and Wang On Group Limited (“WOG”) dated 24 January 2019 and 29 April 2019 and the circular of WOG dated 27 March 2019. The Group has refurbished the property and improved the tenant mix, and the rental yield is therefore enhanced. As at the date of this announcement, this investment property is fully let.

On 30 April 2019, the Group entered into a provisional agreement with an independent third party to purchase the entire issued share capital and shareholder’s loan of Pearl Limited at a consideration of HK\$780.0 million. Pearl Limited is the sole shareholder of Hermitage Investments Limited, which is the registered owner of the commercial accommodation of the complex named “The Parkside” located at No.18 Tong Chun Street, Tseung Kwan O, New Territories, Hong Kong together with 49 car parking spaces and 5 motor cycle parking spaces. The transaction completed on 4 July 2019. Details of the transaction were set out in the joint announcement published by the Company and WOG dated 1 May 2019. Part of this investment property is refurbishing for the enhancement of tenant mix and rental yield. As at the date of this announcement, the occupancy rate of this investment property is over 70%.

In June 2019, the Group has completed the acquisition of an investment property as Shop D, G/F, On Ning Building, Nos. 47-55 Ma Tau Kok Road, Ma Tau Kok, Kowloon in a consideration of HK\$62.3 million from an independent third party. The property was renovated to enhance the rental yield.

The Group will continue to review its investment properties portfolio for both recurring income and capital appreciation.

Reference is also made to the prospectus of the Company dated 30 March 2016, in which it was stated that as at 21 March 2016, the parent company of the Group, WOG, 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 WOG that 39 out of these 48 Excluded Properties had been sold as of the date of this announcement.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2020, the Group’s total assets less current liabilities were approximately HK\$7,198.9 million (2019: approximately HK\$7,281.9 million) and the current ratio was approximately 2.5 times as at 31 March 2020 (2019: approximately 1.8 times). As at 31 March 2020, the Group had cash and cash equivalents of approximately HK\$853.6 million (2019: approximately HK\$1,878.9 million).

Aggregate bank borrowings as at 31 March 2020 amounted to approximately HK\$3,370.2 million (2019: approximately HK\$3,850.4 million). The gearing ratio was approximately 53.9% (2019: approximately 44.2%), 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 31 March 2020, the Group’s property, plant and equipment, investment properties, properties under development and properties held for sales, with carrying value of approximately HK\$87.9 million, HK\$633.1 million, HK\$3,448.4 million and HK\$660.0 million (2019: approximately HK\$91.1 million, HK\$787.5 million, HK\$3,216.4 million and HK\$668.2 million) were pledged to secure the Group’s general banking facilities.

The Group’s capital commitment as at 31 March 2020 amounted to approximately HK\$486.7 million (2019: approximately HK\$925.6 million). In addition, the Group’s share of joint ventures’ own capital commitments amounted to approximately HK\$251.4 million (2019: approximately HK\$806.5 million). The Group has given guarantee to banks in connection with facilities granted to the three joint ventures up to HK\$1,617.6 million (2019: 2,440.4 million) and were utilised to the extent of HK\$1,090.5 million as at 31 March 2020 (2019: HK\$1,297.5 million). Save as disclosed herein, the Group had no significant contingent liabilities 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 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 31 March 2020, interest-bearing debt profile of the Group was analysed as follows:

	31 March 2020 HK\$'000	31 March 2019 HK\$'000
Bank loans repayable:		
Within one year or on demand	1,093,677	1,260,228
In the second year	1,039,056	1,200,570
In the third to fifth years, inclusive	1,237,479	1,389,641
	3,370,212	3,850,439
Other loans repayable:		
In the third to fifth years, inclusive	198,970	187,570
	3,569,182	4,038,009

The effective interest rate of bank loans is approximately 3.7% per annum (2019: approximately 3.4%) and other loans carry at a fixed interest at 6.0% (2019: 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 reporting period were 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.

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

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 dollars. The revenue of the Group, being mostly denominated in Hong Kong dollars, matches the currency requirements of the Group's operating expenses.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2020, the Group had 126 (2019: 120) employees in Hong Kong. The Group remunerates its employees mainly based on industry practices and individual performance and experience. In addition to salaries, the Group provides 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 eligible employees of the Group in Hong Kong.

CORPORATE SOCIAL RESPONSIBILITY

The Group acknowledges our corporate social responsibility to share some burden in building the society where our business has been established and thrived. During the year, the Group has participated different charity activities, e.g. donation of alcohol hand wash spray to the disadvantaged groups and moon cakes to the elderly, Dress Casual Day, etc. The Group will keep the passion on the contribution of resources and caring to the society.

ENVIRONMENTAL MATTERS

The Group has taken measures to promote environmental-friendliness of the workplace by encouraging paper-recycling culture and energy-saving culture within the Group. The Group also participated in the BEAM Plus assessment scheme, a comprehensive environmental assessment scheme for buildings recognised by the Hong Kong Green Building Council, for the development of some of our properties, including The Met. Bliss, The Met. Blossom, and The Met. Acappella, by engaging a third-party consultancy company for the provision of services in respect of BEAM Plus Certification and other environmental assessments.

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

RISK FACTORS

The Group's businesses, financial condition, results of operations and growth prospects may be affected by risks and uncertainties directly or indirectly pertaining to the Group's businesses, including the following highlighted risks:

- our business is dependent on the economic conditions in Hong Kong, particularly the performance of the property market in Hong Kong;
- we may not be able to identify and acquire land bank which is suitable and desirable for our future development;
- we generate revenue principally from the sale of properties, which depends on a number of factors including the schedule of our property development and the timing of property sales. Our profitability may fluctuate significantly between different periods, as our financial performance for a particular period depends on the mix of properties available for sale;
- we may be unable to obtain, or may suffer material delays in obtaining, the relevant government approvals or be unable to take possession of the land parcels for our property development projects;
- we rely on external construction companies for the construction-related works of our property development projects and these construction companies may fail to provide satisfactory services which adhere to our quality and safety standards and in a timely manner, or at all;

- our results of operations may be adversely affected by labour shortages and/or the increase in the costs of labour; and
- we are subject to certain restrictive covenants and risks normally associated with borrowings which may limit or otherwise materially and adversely affect our business, results of operations and financial condition.

PROSPECTS

The continuation of the US-China trade disputes and outbreak of COVID-19 cloud the prospect of the economy. Majority of the investors and end-users are expected to keep cautious.

The market would expect the corporate closure and unemployment rate to escalate and the retail-related industries are amongst the hardest-hit zones. The Group has offered rent concessions to tenants whose businesses are in distress and is coping with the difficult times with them.

For the residential market, the adjustment on the threshold of loan-to-value ratio of the Mortgage Insurance Programme of the Hong Kong Mortgage Corporation and lowering of interest rate is expected to release purchasing power in the market. The number of recorded sales in May has rebounded from first quarter of 2020 and the Group is cautiously optimistic on the development of residential properties.

The Group has achieved approximately HK\$3.1 billion contracted sales amount of residential properties as at the date of this announcement. It secures and stabilizes the revenue and development of the Group in the coming years. To continue the growth momentum, the Group replenishes the land bank and investment properties strenuously. In addition to public tender, the Group is also seeking for opportunities in old building acquisition and land use conversion.

It is expected both the economy and property business in Hong Kong are subject to challenges and uncertainties this year. The Group will monitor the changes, risks and assets closely, and continues to capture every opportunity for its development and aims to achieve solid returns to our shareholders.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year under review.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company recognises the importance of corporate governance and is committed to achieving a high standard of corporate governance within a sensible framework with a strong emphasis on transparency, accountability, integrity and independence. The Board believes that good corporate governance practices are fundamental and essential to the success of the Company and the enhancement of its effectiveness and corporate image.

The Company adopted the principles and complied with the code provisions of the Corporate Governance Code (the “**CG Code**”) set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). The Board considered that the Company had complied with the applicable code provisions set out in the CG Code throughout the financial year ended 31 March 2020.

Further details of the Company’s corporate governance practices are set out in the corporate governance report to be contained in the Company’s 2020 annual report.

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 than the required standard set forth in the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules. Having made specific enquiries of all Directors, the Company confirmed that all Directors had complied with the required standard set out in the Model Code throughout the financial year under review and up to the date hereof and no incident of non-compliance by the Directors was noted by the Company during the year under review.

AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”), comprising all three independent non-executive Directors, namely Mr. Li Wing Sum Steven, Mr. Sung Tze Wah and Sr Dr. Leung Tony Ka Tung, has been established to, *inter alia*, review and approve the consolidated financial statements for the year ended 31 March 2020. Mr. Li Wing Sum Steven was elected as the chairman of the Audit Committee.

SCOPE OF WORK OF ERNST & YOUNG

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2020 as set out in this announcement have been agreed by the Company's independent auditor, Ernst & Young, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on this announcement.

ANNUAL GENERAL MEETING

The 2020 annual general meeting of the shareholders of the Company (the "2020 AGM") will be held at Garden Room A – D, 2/F, New World Millennium Hong Kong Hotel, 72 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong on Monday, 24 August 2020 at 9:00 a.m. and the notice convening such meeting will be published and despatched to the shareholders of the Company in the manner as required by the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed during the following periods:–

(a) for determining eligibility to attend and vote at the 2020 AGM:

Latest time to lodge transfer documents for registration	:	4:30 p.m., Monday, 17 August 2020
Closure of register of members	:	Tuesday, 18 August 2020 to Monday, 24 August 2020 (both days inclusive)
Record Date	:	Monday, 24 August 2020

(b) for determining entitlement to the proposed final dividend:

Latest time to lodge transfer documents for registration : 4:30 p.m., Friday, 28 August 2020

Closure of register of members : Monday, 31 August 2020 to Wednesday, 2 September 2020 (both days inclusive)

Record Date : Wednesday, 2 September 2020

In order to be eligible to attend and vote at the 2020 AGM and to qualify for the proposed final dividend, all transfer of share(s), accompanied by the relevant share certificate(s) with the properly completed transfer form(s) either overleaf or separately, must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than the respective latest dates and time set out above.

PUBLICATION OF FINAL RESULTS AND DESPATCH OF ANNUAL REPORT

This final results announcement is published on the websites of HKEXnews (www.hkexnews.hk) and the Company (www.woproperties.com). The 2020 annual report containing all the information required by the Listing Rules will be despatched to the Company's shareholders 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
Chan Chun Hong
Chairman

Hong Kong, 29 June 2020

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; Mr. Chan Chun Hong as non-executive director; and Mr. Li Wing Sum Steven, Mr. Sung Tze Wah and Sr Dr. Leung Tony Ka Tung as independent non-executive directors.