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# WANG ON GROUP LIMITED
# (宏安集團有限公司)*

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 1222)**

## ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014

## INTERIM RESULTS

The board of directors (the "**Board**") of Wang On Group Limited (the "**Company**", together with its subsidiaries, collectively referred to as the "**Group**") is pleased to announce the unaudited consolidated interim results of the Group for the six months ended 30 September 2014, together with the comparative figures for the corresponding period in 2013. These interim condensed consolidated financial statements were not audited, but have been reviewed by the audit committee of the Company (the "**Audit Committee**").

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*Six months ended 30 September 2014*

| | | Six months ended 30 September | |
|---|---|---|---|
| | | **2014** | 2013 |
| | *Notes* | **(Unaudited)** | (Unaudited) |
| | | ***HK$'000*** | *HK$'000* |
| **REVENUE** | *3* | **603,620** | 321,150 |
| Cost of sales | | **(288,908)** | (144,311) |
| Gross profit | | **314,712** | 176,839 |
| Other income and gains | *4* | **69,815** | 49,648 |
| Selling and distribution expenses | | **(21,461)** | (12,079) |
| Administrative expenses | | **(75,793)** | (50,562) |
| Other expenses | | **(529)** | (25,345) |
| Finance costs | *5* | **(7,275)** | (8,229) |
| Fair value gains of financial assets at fair value through profit or loss, net | | **16,323** | 3,329 |
| Fair value gains on investment properties, net | | **33,847** | 9,053 |
| Impairment of an available-for-sale investment | | **(47,952)** | – |
| Loss on deemed partial disposal of an associate | | **(76,110)** | – |
| Share of profits and losses of: | | | |
| A joint venture | | **2,903** | 3,900 |
| An associate | | **54,412** | 15,887 |

* *For identification purpose only*

| | Notes | Six months ended 30 September **2014** **(Unaudited)** ***HK$'000*** | 2013 (Unaudited) *HK$'000* |
|---|---|---|---|
| **PROFIT BEFORE TAX** | *6* | **262,892** | 162,441 |
| Income tax expense | *7* | **(45,203)** | (13,221) |
| **PROFIT FOR THE PERIOD** | | **217,689** | 149,220 |
| **OTHER COMPREHENSIVE INCOME** | | | |
| **Other comprehensive income to be reclassified to profit or loss in subsequent periods:** | | | |
| Available-for-sale investments: | | | |
| Changes in fair value | | **47,781** | (102,410) |
| Reclassification adjustment for an impairment loss included in profit or loss | | **(47,952)** | – |
| | | **(171)** | (102,410) |
| Exchange differences on translation of foreign operations | | **(115)** | (680) |
| Other reserves: | | | |
| Release upon deemed partial disposal of an associate | | **83** | – |
| Share of other comprehensive income of a joint venture | | **1,030** | 707 |
| Share of other comprehensive income/(loss) of an associate | | **(2,245)** | 1,892 |
| | | **(1,132)** | 2,599 |
| **OTHER COMPREHENSIVE LOSS FOR THE PERIOD** | | **(1,418)** | (100,491) |
| **TOTAL COMPREHENSIVE INCOME FOR THE PERIOD** | | **216,271** | 48,729 |
| Profit attributable to: | | | |
| Owners of the parent | | **217,942** | 149,311 |
| Non-controlling interests | | **(253)** | (91) |
| | | **217,689** | 149,220 |
| Total comprehensive income attributable to: | | | |
| Owners of the parent | | **216,524** | 48,820 |
| Non-controlling interests | | **(253)** | (91) |
| | | **216,271** | 48,729 |
| **EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT** | *8* | | |
| Basic | | **HK3.34 cents** | HK2.29 cents |
| Diluted | | **HK3.34 cents** | HK2.29 cents |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*30 September 2014*

| | Notes | 30 September 2014 (Unaudited) HK$'000 | 31 March 2014 (Audited) HK$'000 |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | | **67,975** | 70,668 |
| Investment properties | | **1,116,910** | 1,140,070 |
| Properties under development | | **1,842,833** | 700,000 |
| Investment in a joint venture | | **95,274** | 91,341 |
| Investment in an associate | | **530,492** | 521,592 |
| Available-for-sale investments | | **71,582** | 119,704 |
| Loans and interest receivable | | **210,597** | 210,797 |
| Deposits paid | | **4,514** | 3,996 |
| Deferred tax assets | | **368** | 548 |
| Total non-current assets | | **3,940,545** | 2,858,716 |
| **CURRENT ASSETS** | | | |
| Properties under development | | **647,905** | 567,283 |
| Properties held for sale | | **127,975** | 341,109 |
| Trade receivables | *10* | **1,619** | 1,958 |
| Loans and interest receivable | | **673,211** | 846,015 |
| Prepayments, deposits and other receivables | | **245,169** | 347,138 |
| Financial assets at fair value through profit or loss | | **125,500** | 105,274 |
| Tax recoverable | | **793** | 699 |
| Time deposits with original maturity over three months | | **–** | 10,000 |
| Cash and cash equivalents | | **1,047,070** | 710,591 |
| Total current assets | | **2,869,242** | 2,930,067 |
| **CURRENT LIABILITIES** | | | |
| Trade payables | *11* | **34,574** | 56,792 |
| Other payables and accruals | | **33,534** | 60,159 |
| Deposits received and receipts in advance | | **446,193** | 361,446 |
| Interest-bearing bank and other loans | | **807,899** | 447,315 |
| Provisions for onerous contracts | | **2,458** | 2,398 |
| Tax payable | | **163,710** | 121,864 |
| Total current liabilities | | **1,488,368** | 1,049,974 |
| **NET CURRENT ASSETS** | | **1,380,874** | 1,880,093 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **5,321,419** | 4,738,809 |

| | 30 September 2014 (Unaudited) *HK$'000* | 31 March 2014 (Audited) *HK$'000* |
|---|---|---|
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | **5,321,419** | 4,738,809 |
| **NON-CURRENT LIABILITIES** | | |
| Interest-bearing bank and other loans | **1,226,680** | 819,540 |
| Provisions for onerous contracts | **–** | 1,651 |
| Deferred tax liabilities | **4,427** | 4,427 |
| Other payables and accruals | **984** | 984 |
| Total non-current liabilities | **1,232,091** | 826,602 |
| **Net assets** | **4,089,328** | 3,912,207 |
| **EQUITY** | | |
| **Equity attributable to owners of the parent** | | |
| Issued capital | **65,249** | 65,249 |
| Reserves | **4,024,179** | 3,846,805 |
| | **4,089,428** | 3,912,054 |
| **Non-controlling interests** | **(100)** | 153 |
| Total equity | **4,089,328** | 3,912,207 |

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*Six months ended 30 September 2014*

### 1. 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 of Hong Kong Limited (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 2014.

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 2014, 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 (Cap. 622), except for the adoption of the new and revised HKFRSs as disclosed in note 2 below.

These unaudited interim condensed consolidated financial statements have been prepared under the historical cost convention, except for investment properties and equity investments, 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.

### 2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

| | |
|---|---|
| HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments | Amendments to HKFRS 10 *Consolidated Financial Statements,* HKFRS 12 *Disclosure of Interests in Other Entities* and HKAS 27 (2011) *Separate Financial Statements – Investment Entities* |
| HKAS 32 Amendments | Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities* |
| HKAS 39 Amendments | Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting* |
| HK(IFRIC)-Int 21 | *Levies* |

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 applied 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.

## 3. OPERATING SEGMENT INFORMATION

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

(a) the property development segment engages in the development of properties;

(b) the property investment engages in investment and the trading of industrial and commercial premises and residential units for rental or for sale; and

(c) the Chinese wet markets segment engages in the management and sub-licensing of Chinese wet markets.

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, head office and corporate income and expenses, share of profit and loss of a joint venture and share of profit and loss of an associate are excluded from such measurement.

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

### Reportable segment information

**Six months ended 30 September**

| | Property development | | Property investment | | Chinese wet markets | | Total | |
|---|---|---|---|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 | **2014** | 2013 | **2014** | 2013 |
| | **(Unaudited)** | (Unaudited) | **(Unaudited)** | (Unaudited) | **(Unaudited)** | (Unaudited) | **(Unaudited)** | (Unaudited) |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| **Segment revenue:** | | | | | | | | |
| Sales to external customers | **498,438** | 1,596 | **15,686** | 222,210 | **89,496** | 97,344 | **603,620** | 321,150 |
| Other revenue | **6,058** | 615 | **34,104** | 9,328 | **3,359** | 2,279 | **43,521** | 12,222 |
| Total | **504,496** | 2,211 | **49,790** | 231,538 | **92,855** | 99,623 | **647,141** | 333,372 |
| **Segment results** | **244,897** | (42,838) | **32,971** | 150,255 | **16,938** | 18,100 | **294,806** | 125,517 |
| *Reconciliation* | | | | | | | | |
| Interest income | | | | | | | **54,644** | 42,490 |
| Finance costs | | | | | | | **(7,275)** | (8,229) |
| Corporate and unallocated revenue | | | | | | | **21,820** | 7,318 |
| Corporate and unallocated expenses | | | | | | | **(158,418)** | (24,442) |
| Share of profits and losses of: | | | | | | | | |
| A joint venture | | | | | | | **2,903** | 3,900 |
| An associate | | | | | | | **54,412** | 15,887 |
| Profit before tax | | | | | | | **262,892** | 162,441 |
| Income tax expense | | | | | | | **(45,203)** | (13,221) |
| Profit for the period | | | | | | | **217,689** | 149,220 |

## 4. OTHER INCOME AND GAINS

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

| | Six months ended 30 September | |
|---|---|---|
| | **2014** | 2013 |
| | **(Unaudited)** | (Unaudited) |
| | ***HK$'000*** | *HK$'000* |
| **Other Income** | | |
| Bank interest income | **4,731** | 1,866 |
| Interest income from financial investments | **317** | 318 |
| Interest income from loans receivable | **49,596** | 40,306 |
| Dividend income from listed securities | **2,500** | 2,344 |
| Management fee income | **252** | – |
| Others | **9,723** | 3,953 |
| | **67,119** | 48,787 |
| **Gains** | | |
| Gain on disposal of financial assets at fair value through profit or loss, net | **519** | – |
| Exchange gains, net | **2,177** | 861 |
| | **2,696** | 861 |
| Other income and gains | **69,815** | 49,648 |

## 5. FINANCE COSTS

An analysis of finance costs is as follows:

| | Six months ended 30 September | |
|---|---|---|
| | **2014** | 2013 |
| | **(Unaudited)** | (Unaudited) |
| | ***HK$'000*** | *HK$'000* |
| Interest on bank loans: | | |
| Wholly repayable within five years | **6,579** | 11,349 |
| Repayable beyond five years | **4,067** | 6,403 |
| | **10,646** | 17,752 |
| Less: Interest capitalised | **(3,371)** | (9,523) |
| | **7,275** | 8,229 |

## 6. PROFIT BEFORE TAX

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

| | Six months ended 30 September | |
|---|---|---|
| | **2014** | 2013 |
| | **(Unaudited)** | (Unaudited) |
| | ***HK$'000*** | *HK$'000* |
| Cost of services provided | **75,774** | 87,980 |
| Cost of properties sold | **213,134** | 56,331 |
| Depreciation | **3,170** | 1,751 |
| Amount utilised for onerous contracts, net | **(1,591)** | (410) |
| Loss on disposal of an investment property* | **660** | – |
| Write-down of properties under development to net realisable value* | **–** | 25,345 |
| Write-back of impairment of trade receivables, net* | **(131)** | – |

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

## 7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 September 2013: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable in Mainland China have been calculated at the rate of tax prevailing in Mainland China.

| | Six months ended 30 September | |
|---|---|---|
| | **2014** | 2013 |
| | **(Unaudited)** | (Unaudited) |
| | ***HK$'000*** | *HK$'000* |
| Current – Hong Kong | **45,023** | 15,124 |
| Current – Mainland China | **–** | 2,538 |
| Deferred | **180** | (4,441) |
| Total tax charge for the period | **45,203** | 13,221 |

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

The calculations of basic and diluted earnings per share attributable to the ordinary equity holders of the parent are based on:

| | Six months ended 30 September | |
|---|---|---|
| | **2014** | 2013 |
| | **(Unaudited)** | (Unaudited) |
| | ***HK$'000*** | *HK$'000* |
| **Earnings** | | |
| Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation | **217,942** | 149,311 |

| | Number of Shares | |
|---|---|---|
| | **2014** | 2013 |
| | **(Unaudited)** | (Unaudited) |
| **Shares** | | |
| Weighted average number of ordinary shares in issue during the period, used in basic earnings per share calculation | **6,524,935,021** | 6,524,935,021 |
| Effect of dilution – weighted average number of ordinary shares: | | |
| Share options | **179,940** | – |
| Weighted average number of ordinary shares, used in diluted earnings per share calculation | **6,525,114,961** | 6,524,935,021 |

No adjustment has been made to the basic earnings per share amount presented for the six months ended 30 September 2013 in respect of a dilution as the impact of the share options outstanding had no dilutive effect on the basic earnings per share amount presented.

## 9. INTERIM DIVIDEND

| | Six months ended 30 September | |
|---|---|---|
| | **2014** | 2013 |
| | **(Unaudited)** | (Unaudited) |
| | ***HK$'000*** | *HK$'000* |
| Interim dividend – HK1.0 cents (2013: HK0.15 cents) per ordinary share | **65,249** | 9,787 |

In addition, a special interim dividend was declared by way of distribution in specie of the shares of PNG Resources Holdings Limited ("**PNG**") held by the Group to the shareholders of the Company in the proportion of 3 shares in the issued share capital of PNG for every 125 shares in the issued share capital of the Company, rounded down to the nearest whole number of PNG shares.

The interim and special interim dividends were declared after the end of the reporting period and hence were not accrued on that date.

## 10. TRADE RECEIVABLES

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

| | **30 September 2014 (Unaudited)** *HK$'000* | 31 March 2014 (Audited) *HK$'000* |
|---|---|---|
| Within 90 days | **1,619** | 1,943 |
| 91 days to 180 days | **–** | 63 |
| Over 180 days | **–** | 83 |
| | **1,619** | 2,089 |
| Less: Impairment | **–** | (131) |
| | **1,619** | 1,958 |

The Group generally grants a 15 to 30 days credit period to customers for its sub-leasing business. The Group generally does not grant any credit to customers of other businesses.

## 11. 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:

| | **30 September 2014 (Unaudited)** *HK$'000* | 31 March 2014 (Audited) *HK$'000* |
|---|---|---|
| Within 90 days | **34,574** | 56,792 |

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

## INTERIM DIVIDEND AND SPECIAL DIVIDEND BY WAY OF DISTRIBUTION IN SPECIE

The Board has resolved to declare (i) an interim dividend of HK1.0 cents (six months ended 30 September 2013: HK0.15 cents) per share; and (ii) a special interim dividend to be satisfied by way of distribution of the shares of PNG held by the Group ("**PNG Shares**") in the proportion of three (3) PNG Shares for every multiple of 125 shares of the Company held by the shareholders of the Company, rounded down to the nearest whole number of PNG Shares ("**Distribution in Specie**"), for the six months ended 30 September 2014. The interim dividend will be payable and the share certificates of the PNG Shares will be despatched, on or around Tuesday, 23 December 2014 to those shareholders whose names appear on the register of members of the Company on Thursday, 11 December 2014.

The above basis of the Distribution in Specie has been determined after taking into account the number of existing issued shares of the Company, the number of PNG Shares held by the Group and the fact that a shareholder needs to hold at least 125 shares of the Company to be distributed with at least three (3) PNG Shares.

As at the date of this announcement, the Group owns an aggregate of 157,218,400 PNG Shares, representing approximately 14.2% of the issued share capital of PNG, and there are 6,524,935,021 shares in issue of the Company. Based on the closing price of HK$0.325 per PNG Share as traded on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 19 November 2014 (being the date of this announcement), the maximum aggregate market value of the PNG Shares to be distributed (i.e. 156,598,440 PNG Shares) under the Distribution in Specie ("**PNG Distribution Shares**") is approximately HK$50.9 million, which represents a distribution of approximately HK0.78 cents per share of the Company. The final aggregate market value of the PNG Distribution Shares will be calculated based on the fair value of the PNG Shares as at the dividend settlement date and the total number of issued shares of the Company on Thursday, 11 December 2014. Therefore, the final aggregate market value of the PNG Distribution Shares may be different from the above figure. The carrying amount of the PNG Shares held by the Group as at 30 September 2014 was approximately HK$58.9 million.

The Board declares the payment of the special interim dividend by way of Distribution in Specie (together with the payment of the interim cash dividend) to reward the support of the shareholders and simultaneously it allows the Group to focus and strengthen its resources on its core businesses.

A circular containing, among others, further details of the Distribution in Specie, including the arrangements regarding fractional entitlements and overseas shareholders' entitlement and the timetable for the distribution of PNG Shares to the qualifying shareholders will be dispatched in due course.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 10 December 2014 to Thursday, 11 December 2014, both days inclusive, during which period, no transfer of shares will be effected. In order to qualify for the interim dividend and the Distribution in Specie, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Tuesday, 9 December 2014.

## MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

The Group's turnover for the six months ended 30 September 2014 amounted to approximately HK$603.6 million (six months ended 30 September 2013: approximately HK$321.2 million), representing a significant increase of approximately HK$282.4 million compared with the corresponding period last year. Profit attributable to owners of the parent for the six months ended 30 September 2014 was approximately HK$217.9 million (six months ended 30 September 2013: approximately HK$149.3 million), which also represented a significant increase of approximately HK$68.6 million. The favourable results for the reporting period was mainly contributed by the completion of disposal of certain units of a development project at "726 Nathan Road". 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 was approximately HK$498.4 million (six months ended 30 September 2013: HK$1.6 million), and it was contributed mainly by the completion of disposal of certain units of the development project at "726 Nathan Road". Except for the ground floor units, all the other 18 units of The "726 Nathan Road" Ginza-type commercial building was pre-sold in January 2013 at an aggregate consideration of approximately HK$1,122.1 million. Construction works of this project was completed in February 2014, 7 out of 18 sold units had already been delivered to the purchasers before March 2014. A further 8 units were delivered during the reporting period which had contributed a revenue of approximately HK$453.6 million to the Group for the six months ended 30 September 2014.

Construction of “The Met. Sublime” at Kwai Heung Street, Sai Ying Pun has almost been completed and the sold units will soon be delivered to the purchasers by the end of 2014. As at the end of the reporting period, there were 4 units remains to be sold. Revenue and profit from this project will be reflected in the forthcoming financial statements for the year ending 31 March 2015.

The superstructure of “The Met. Delight” at Camp Street, Sham Shui Po has already topped out and is currently undergoing internal refurbishment. The whole development is expected to complete by the end of 2015 and delivery to the purchasers will soon follow. Revenue and profit from this project will be recognised in the year ending 31 March 2016.

The old building at 575-575A Nathan Road, Mong Kok has already been demolished. Approval of the general building plan has been obtained and construction works at the site will soon start. Situated at the prime area in Mong Kok, and given the success of “726 Nathan Road”, the Group targets to develop this site into another Ginza-type commercial complex. Completion of this project is expected to be in late 2016.

The site at 13 and 15 Sze Shan Street, Yau Tong is currently vacant, pending the negotiation results with the Hong Kong Government in respect of the amount of land premium required for redevelopment of the site.

In July 2014, a piece of land at Sha Tin Town Lot No. 599, located in Ma On Shan was successfully acquired by the Group at a consideration of approximately HK$703.8 million through a tender by the Hong Kong Government. The acquisition was made under a business arrangement of which the Group owned 60% equity interest. The site has an approximate area of 33,000 square feet and a development requirement of minimum 310 units to be built. Preliminary works at the site have already been completed and building plan for the site is being formulated. Financial position and results of the development at this site will be consolidated into the financial statements of the Group.

Further in September 2014, the Group won another tender to acquire a nearby piece of land at Sha Tin Town Lot No. 598 in Ma On Shan at a consideration of approximately HK$428.0 million. The land was also acquired under a business arrangement of which the Group owned 60% equity interest. The site has also an approximate area of 33,000 square feet, but with a development requirement of minimum 180 units to be built. Ground investigation and other preliminary works at the site have been started. Likewise, financial position and results of this development will also be consolidated into the financial statements of the Group.

As at 31 October 2014, the Group has a development land portfolio as follows:

| Location | Approximate Site Area (Square feet) | Intended Usage | Anticipated Year of Completion |
|---|---|---|---|
| 1-13, Kwai Heung Street, Sai Ying Pun | 4,800 | Residential/ Commercial | 2014 |
| 140-146, Camp Street, Shum Shui Po | 4,600 | Residential/ Commercial | 2015 |
| 575-575A, Nathan Road, Mong Kok | 2,100 | Commercial | 2016 |
| 13 and 15, Sze Shan Street, Yau Tong | 41,000 | Residential/ Commercial | 2017 |
| Sha Tin Lot No. 599, Ma On Shan | 33,000 | Residential/ Commercial | 2018 |
| Sha Tin Lot No. 598, Ma On Shan | 33,000 | Residential/ Commercial | 2018 |

To secure a sustainable growth in the long run, the Group will continue its effort in soliciting residential and commercial sites for redevelopment opportunities. We will also participate actively in public tenders of the Hong Kong Government with an aim to replenish development land reserve. Besides, the Group will continue to monitor closely the progress and costing of existing development projects to ensure on-time completion in an efficient and quality manner.

**Property Investment**

During the reporting period, the Group received gross rental income of approximately HK$15.7 million (six months ended 30 September 2013: approximately HK$23.4 million), representing a decrease of approximately HK$7.7 million over the corresponding period last year. The decrease in gross rental income was primarily attributable to the disposal of the remaining 16 commercial units in Grandeur Terrace in the corresponding period last year and an investment property located at Mong Kok, Kowloon during the reporting period.

As at 30 September 2014, the Group's portfolio of investment properties comprised of both commercial, industrial and residential units located in Hong Kong with a total carrying value of approximately HK$1,116.9 million (31 March 2014: approximately HK$1,140.1 million). During the six months ended 30 September 2014, the Group had completed a disposal transaction of a shop located at Mong Kok, Kowloon at a consideration of HK$60.0 million, details of which had been set out in the Company's announcement dated 2 December 2013.

After the reporting period and as disclosed in the Company's announcement dated 7 November 2014, the Group entered into a provisional sale and purchase agreement dated 7 November 2014 for the acquisition of an investment property located at Causeway Bay, Hong Kong at a consideration of HK$210.0 million, completion of which will take place on or before 16 February 2015.

Riviera Plaza, the shopping mall acquired by the Group which transaction was completed in July 2013, is currently vacant and is in the process of applying for alteration and enhancement plan approval. Renovation works will be carried out after then and expected completion will be around middle of 2016. After completion, the shopping mall will be held as a strategic long term investment property and it should strengthen the rental income stream and enhance rental yield of the Group in the long run. The Group will continue to explore potential property investment opportunities. As regard the other investment properties held, the Group will keep a close monitor and regular review of the portfolio to ensure overall rental return performs in line with the latest market trend, and achieve a sustainable rental growth.

**Management and Sub-licensing of Chinese Wet Markets**

For the six months ended 30 September 2014, revenue recorded for this segment amounted to approximately HK$89.5 million (six months ended 30 September 2013: approximately HK$97.3 million), representing a decrease of approximately HK$7.8 million over the corresponding period last year. On 30 April 2014 and 19 August 2014, the licences for the Chinese wet markets at Tin Shui Estate, Tin Shui Wai and Belvedere Garden, Tsuen Wan had expired respectively and were returned to the landlord.

During reporting period, the Group mainly managed a portfolio of approximately 780 stalls in 12 "Allmart" brand of Chinese wet markets in Hong Kong with a total gross floor area of over 281,000 square feet. In Mainland China, the Group managed a portfolio of approximately 1,000 stalls in 17 Chinese wet markets with a total gross floor area of over 283,000 square feet under "Huimin" brand in various districts of Shenzhen, Guangdong Province of Mainland China. Facing competition from supermarkets and chain stores, the Group has continued its enhancement works in its managed wet markets as well as upgrading the management system and controls. The Group is of the view that continued improvement of the general environment and management of the wet markets will provide a more pleasant and convenient shopping experience and should attract more shoppers. The operation of Chinese wet markets will continue to contribute stable stream of income for the Group.

**Investment in Pharmaceutical and Health Products Related Business**

As at 30 September 2014, the Group held 24.58% interest in Wai Yuen Tong Medicine Holdings Limited ("**WYTH**"), a company listed on the Main Board of the Stock Exchange.

Following a series of on-market acquisition of 135.5 million shares of WYTH by the Group at an aggregate purchase price of approximately HK$35.2 million (before expenses) conducted between 19 June 2014 and 18 July 2014, and the subsequent placing of new shares completed by WYTH on 28 August 2014, the Group's equity interest in WYTH has become 24.58%.

For the six months ended 30 September 2014, WYTH recorded a turnover from the continuing operations of approximately HK$381.0 million (six months ended 30 September 2013: approximately HK$411.0 million) and profit attributable to equity holders of approximately HK$11.5 million (six months ended 30 September 2013: approximately HK$59.1 million). The decline in its results was mainly attributable to, among other things, the decrease in gross profit resulting from decrease in turnover from operation, and the loss on deemed partial disposal of equity interests in an associate, despite gain from change in fair value of investments held-for-trading. The Group's share of profit of WYTH for the six months ended 30 September 2014 amounted to HK$54.4 million (2013: approximately HK$15.9 million), included a gain on bargain purchase of HK$50.3 million (six months ended 30 September 2013: Nil) arising from on-market acquisition of shares of WYTH.

Despite current and expected slowdown of visitor numbers of and spending by Mainland China customers owing to a number of political and economic factors, the ever growing awareness of health and demand for quality traditional Chinese medicines from both local and Mainland China customers has never been diminishing. Given the recognised brand names and values of WYTH, the Group is of the view that the business of WYTH will grow steadily in the long term and expects that the investment in WYTH will provide long term value to the Group.

**Investment in and Loan Facilities Granted to PNG**

PNG, a company listed on the Main Board of the Stock Exchange, is principally engaged in property development in Mainland China and the retailing of fresh pork meat and related produce in Hong Kong, in which the Group held an aggregate of 14.20% equity interest as at 30 September 2014. During the reporting period, there was a further significant decline in the market value of the shares of PNG. As at 30 September 2014, the fair value of the PNG Shares held by the Group was approximately HK$58.9 million (31 March 2014: approximately HK$106.9 million). The directors consider that the decline in fair value was significant and prolonged, an impairment loss of approximately HK$48.0 million (year ended 31 March 2014: HK$84.8 million) had been recognised in the profit or loss for the reporting period.

During the reporting period, PNG had fully repaid all outstanding loan plus associated interest to the Group. As at 30 September 2014, PNG had no indebtedness (31 March 2014: approximately HK$107.6 million) to the Group.

**Investment in and Loan Facility Granted to China Agri-Products Exchange Limited ("CAP")**

The Group's original 0.04% equity interest in CAP was diluted after a placement of 250,000,000 new shares by CAP completed on 3 September 2014. As at 30 September 2014, the Group held 0.03% equity interest in CAP.

As at 30 September 2014, CAP was indebted to the Group in an aggregate outstanding principal amount of approximately HK$880.0 million of which HK$670.0 million was drawn pursuant to the loan agreement dated 16 July 2012 (as amended by the supplemental agreement dated 31 July 2012 and an assignment dated 15 April 2014); and HK$210.0 million was drawn pursuant to a further loan agreement dated 19 September 2013.

On 30 September 2014, the Group entered into supplemental agreement with CAP which the repayment date of the HK$670.0 million loan was extended from 30 September 2014 to 30 November 2014, in consideration for the proposed use of the net proceeds from a bond issue by CAP for repayment of its outstanding loan. Apart form the extension of repayment date, all other terms and conditions of the loan facility remain unchanged. Details of the extension of repayment date were disclosed in the joint announcement of the Company with CAP, WYT and PNG dated 4 October 2014.

On 4 October 2014, the Group entered into the subscription agreement amongst CAP, pursuant to which the Group will subscribe up to a maximum principal amount of HK$200.0 million two-year 8.5% coupon interest bonds and HK$330.0 million five-year 10.0% coupon interest bonds to be issued by CAP, in consideration of receiving a subscription fee of 2.5% of the aggregate principal amount of the CAP's bonds actually subscribed by the Group and repayment the outstanding loans currently indebted to the Group by CAP, details of which were set out in the Company's announcement and circular dated 4 October 2014 and 24 October 2014 respectively. Such transaction was approved by the shareholders of the Group at the special general meeting held on 10 November 2014.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2014, the Group's total assets less current liabilities were approximately HK$5,321.4 million (31 March 2014: approximately HK$4,738.8 million) and the current ratio decreased from approximately 2.8 times as at 31 March 2014 to approximately 1.9 times as at 30 September 2014.

As at 30 September 2014, the Group had cash resources and short-term investments of approximately HK$1,172.6 million (31 March 2014: approximately HK$815.9 million). Aggregate borrowings as at 30 September 2014 amounted to approximately HK$2,034.6 million (31 March 2014: approximately HK$1,266.9 million). The gearing ratio was approximately 24.1% (31 March 2014: approximately 14.2%), calculated by reference to the Group's total bank and other borrowings net of cash and cash equivalents and the equity attributable to owners of the parent.

As at 30 September 2014, the Group's land and buildings, investment properties, properties under development and properties held for sale, with carrying value of approximately HK$63.0 million, HK$1,070.0 million, HK$2,492.7 million and HK$57.1 million (31 March 2014: approximately HK$64.0 million, HK$1,096.2 million, HK$1,267.3 million and HK$314.0 million) were pledged to secure the Group's general banking facilities. The Group's capital commitment as at 30 September 2014 amounted to approximately HK$98.8 million (31 March 2014: approximately HK$221.1 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 resources are sufficient for the Group's needs in the foreseeable future.

## FOREIGN EXCHANGE

The Board 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.

## EMPLOYEES AND REMUNERATION POLICIES

At the end of the reporting period, the Group had 193 (31 March 2014: 203) employees, of whom approximately 95.3% (31 March 2014: 96.1%) were located in Hong Kong and the rest were located in Mainland China. The Group remunerates its employees mainly based on industry practices and individual performance and experience. On top of the regular remuneration, discretionary bonus and share options may be granted to selected staff by reference to the Group's performance as well as the individual's performance. Other benefits such as medical and retirement benefits and structured training programs are also provided.

## PROSPECTS

Despite the fact that various property market cooling measures by the Hong Kong Government are still in place, and general market expectation of a coming interest rate rise, property transaction activities in Hong Kong has still been active. During first three quarters of 2014, residential property prices in Hong Kong were still rising, but at a slower pace. Unsurprisingly, smaller-sized residential properties have experienced the highest growth in prices. This is evident from the fact that property developers are selling smaller and smaller sized new units, at a higher unit value. The trend mainly came from strong pent-up demand from end users who were exempt from the cooling measures. The higher end luxury property market, in contrast, had lost momentum owing to a drop in demand from investors and wealthy people from Mainland China who were affected more by the cooling measures. The Group expect that this trend of demand for quality and convenient entry level housing will continue to remain robust and major focus of the market in the coming years. Given our success in The Met. series of residential projects, we will extend our development of this series of small to medium sized units.

The weaker than expected economic data in Europe, Japan's further aggressive monetary easing program, and the increased likelihood that United States's monetary policy will stay loose for longer have caused market to expect that money supply should continue to remain adequate and interest rate should remain low. On the other hand, to meet the relentless and rigid demand for residential housing, land supply by the Hong Kong Government would inevitably need to be increased. The combination of these factors should solidify the support for the local property market in the near future. However, as buildable land is always scarce in Hong Kong, the increase in supply is expected to be difficult and slow. Also, the various requirements on size and units built on newly granted government land may hinder the pace of injections of new residential housing, not to mention the increasing construction costs. Nevertheless, such factors should have long been anticipated and calculated in developers' mind when formulating their strategies and should not be instrumental. As such, the Group is keeping its cautiously optimistic view about the property market in Hong Kong, seeing challenges as opportunities and take prompt actions.

Competition in the management of Chinese wet markets has become keen in recent years and there emerged a number of new competitors. As a major market operator, the Group has a competitive advantage built on extensive experience, professional expertise and dedication. The Group will strive to maintain its market share while seek proactively to expand. Moving forward, the Group will dedicate further effort to securing new markets either from Hong Kong, as well as from opportunities in the Mainland China.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the six months ended 30 September 2014.

## 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 of the six months ended 30 September 2014.

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

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted its code of conduct regarding the securities transactions by the directors of the Company on the terms no less exacting terms than the required standard set forth in the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") 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 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 and other corporate governance issues. The Audit Committee has reviewed with management and the Company's external auditors the unaudited condensed consolidated financial statements for the six months ended 30 September 2014 of the Group. The Audit Committee comprises three independent non-executive directors of the Company, namely Messrs. Siu Yim Kwan, Sidney, Wong Chun, Justein and Siu Kam Chau. Mr. Siu Yim Kwan, Sidney was elected as the chairman of the Audit Committee.

## PUBLICATION OF RESULTS ANNOUNCEMENT AND DESPATCH OF INTERIM REPORT

The interim results announcement is published on the websites of HKExnews at (*www.hkexnews.hk*) and the Company at (*www.wangon.com*). The 2014 interim report containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and available on the above websites in due course.

By Order of the Board
**WANG ON GROUP LIMITED**
**(宏安集團有限公司)***
**Tang Ching Ho**
*Chairman*

Hong Kong, 19 November 2014

*As at the date of this announcement, the Board comprises three executive directors of the Company, namely Mr. Tang Ching Ho, Ms. Yau Yuk Yin, Mr. Chan Chun Hong, Thomas, and four independent non-executive directors of the Company, namely Dr. Lee Peng Fei, Allen, Mr. Wong Chun, Justein, Mr. Siu Yim Kwan, Sidney and Mr. Siu Kam Chau.*

* *For identification purpose only*