

Wing Tai Properties Announces 2014 Interim Results Net Profit Up 55% to HK\$1,601 million

Achieved solid results riding on well-established and balanced asset portfolio

26 August 2014, Hong Kong - **Wing Tai Properties Limited** (“Wing Tai” or the “Group”, SEHK stock code: 369) announced the Group’s unaudited consolidated results for the six months ended 30 June 2014.

During the period, the Group’s revenue was HK\$1,317 million, an increase of HK\$971 million or 281% compared with HK\$346 million in 2013, mainly due to recognition of pre-sold units of The Pierre in 2014 and growing rental and property management income. Consolidated profit attributable to equity holders was HK\$1,601 million, an increase of HK\$565 million or 55% compared with HK\$1,036 million in 2013. Apart from the effect of the recognition of The Pierre and aforementioned growth in rental and property management income, the increase was mainly attributable to higher fair value gain on the Group’s investment properties of HK\$1,346 million in 2014 compared with HK\$826 million in 2013.

The Board of Directors proposed to declare an interim dividend of HK4.2 cents per share (1H 2013: HK4.2 cents), or a total interim dividend payout of HK\$56.2 million (1H 2013: HK\$56.1 million) based on the total number of ordinary shares on 30 June 2014.

BUSINESS REVIEW

Property Development

In the first half of 2014, the segment revenue and profit before taxation increased to HK\$898 million and HK\$171 million respectively. This increase was mainly due to the recognition of revenue and related profit of The Pierre in 2014.

The government’s policy to boost land supply presented more opportunities for the Group to build a sustainable development pipeline of quality projects with long-term growth potential. In April 2014, the Group acquired a premium residential site in Shau Kei Wan, with a gross floor area of approximately 46,000 square feet. Located at the harbour-front with an unobstructed seaview and easy access to public transportation, the project is scheduled for completion in 2018.

Regarding other wholly-owned projects, for The Warren, one residential unit was sold in the first half of 2014 and around 78% of residential units have been sold. Nearly all of the sold units were handed over to the buyers in July and August 2014. For The Pierre, interior fitting-out works are in progress, the Occupation Permit was obtained in May 2014 and the pre-sold units are expected to be handed over to the buyers in second half of 2014. The Siu Sau site in Tuen Mun, a low-density residential site with a gross floor area of approximately 159,000 square feet, is scheduled for completion in 2018.

Among the joint venture projects, the Group has a 15% interest in each of Providence Bay, Providence Peak and The Graces located at Pak Shek Kok, Tai Po. In the first half of 2014, The Graces sold around 22% of its residential units. As at 30 June 2014, Providence Bay, Providence Peak and The Graces have sold 61%, 81% and 70% of their residential units respectively.

Homantin Hillside, the residential project in Hung Hom which the Group has a 50% interest, is located near the future MTR station of Shatin to Central Link. The project has a gross floor area of approximately 153,000 square feet. The Group is the lead project manager and lead sales and marketing manager for this project. Superstructure works commenced in February 2014 and the development is scheduled for completion in 2016.

The Group has a 35% interest in each of the two Kau To, Shatin sites acquired in August 2012 and January 2013 respectively. With a combined gross floor area of approximately 460,000 square feet, the two projects are scheduled for completion in 2017.

Property Investment and Management

In the first half of 2014, the segment revenue and profit before taxation were HK\$333 million and HK\$1,508 million respectively. Excluding fair value gain of investment properties and a one-off disposal gain of an associate, segment profit before taxation also increased from HK\$164 million to HK\$189 million, reflecting continued growth in the rental rate of the Group's investment properties.

As at 30 June 2014, the Group's portfolio of investment properties, comprising 1.5 million square feet of Grade-A office buildings and 0.7 million square feet of industrial buildings, had an aggregate fair market valuation of HK\$17,374 million.

There were active transactions hitting record highs in Kowloon East as well as more large and multi-national corporations moving their corporate offices to this new CBD. As a result of these trends, the Group's flagship Grade-A office, Landmark East achieved nearly full occupancy with only about 60 tenants, around 15% of leases were renewed with an average rental upward reversion of about 48%. Around 12% of leases will expire or be subject to rent review in the second half of 2014, and will be subject to renewal or review on prevailing market terms.

The Group's another Grade-A office, W Square also achieved an occupancy rate of around 93%, around 22% of leases were renewed with an average upward rental reversion of approximately 16%. Around 26% of the leases will expire in the second half of 2014 and will be subject to renewal on prevailing market terms.

The two industrial buildings, Winner Godown Building and Shui Hing Centre, achieved nearly full occupancy. In the first half of 2014, around 10% of leases was renewed with an average upward rental reversion of approximately 27%. Around 15% of the leases will expire in the second half of 2014 and will be subject to renewal on prevailing market terms.

The Group has a 50% interest in Upper Riverside, a luxury apartment building located at Lujiazui, Pudong, Shanghai. Interior fitting out works are progressing on schedule, and the project is scheduled for completion in 2015.

Hospitality Investment and Management

The segment revenue was HK\$74 million with profit before taxation of HK\$47 million in the first half of 2014.

The Group's 50% joint venture property in Kuala Lumpur, Malaysia, Lanson Place Bukit Ceylon Serviced Residences, marked its soft opening in August 2013. The residences is the second property in the Group's portfolio to qualify as one of the "Small Luxury Hotels of the World™" and is also the first "Small Luxury Hotel" in Kuala Lumpur's central business district.

The Lanson Place Hotel in Hong Kong and Lanson Place Jinlin Tiandi Serviced Residences in Shanghai recorded a gradual rise in both occupancy and average rental rates after their refurbishment. Lanson Place Central Park Serviced Residences in Beijing achieved an occupancy rate of around 95%, with a steady growth in average rental rate.

PROSPECTS

Looking ahead, the Group remained proactive in identifying the optimal windows to launch the two premium residential projects - Homantin Hillside in Hong Kong, and Upper Riverside in Shanghai, as well as continue to sell the remaining units of The Warren, Seymour, The Graces, Providence Bay and Providence Peak.

The Group has been strategically building its residential pipeline for sustainable development, which has now extended through 2018. The Group will continue to be proactive and selective in identifying suitable acquisitions to replenish its land bank.

The Grade-A office leasing market is expected to remain active in the second half of 2014. The Group has already secured good rental reversion or new lease rental for a considerable number of leases expiring in the second half of 2014, and will further enhance its quality tenant base.

The Group will continue to explore opportunities to acquire quality commercial buildings and serviced residences in Hong Kong and other gateway cities, to enhance its asset portfolio quality and recurring earnings. The Group will also look for opportunities to extend its Lanson Place operation through third party management contract in the region.

Deputy Chairman and Chief Executive of the Group, Mr. Edward Cheng concluded, "The Hong Kong residential property market took time to absorb the adverse impact from the government's cooling measures. The momentum in the recent recovery of the primary property market is expected to continue in the second half of 2014, supported by strong fundamentals in the local economy, low interest rate, low unemployment rate, and immense domestic pent-up demand. The Group issued, through private placement, its first seven-year unrated fixed-rate bond of HK\$100 million at an attractive coupon rate in August, reflecting continued market recognition and confidence in the Group's financial position. The Group will endeavour to grow

its diversified and risk-resilient portfolio on a robust capital structure, and to deliver sustainable growth and create more value for our shareholders in a dynamic market environment.”

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About Wing Tai Properties Limited

The business of Wing Tai Properties Limited (SEHK stock code: 369) spans three core areas: property development under the Wing Tai Asia brand; property investment and management arm; and the hospitality investment and management arm under its Lanson Place brand in Hong Kong, Shanghai, Beijing, Singapore and Kuala Lumpur. Wing Tai Properties was listed on The Stock Exchange of Hong Kong Limited in 1991.

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CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2014

	Unaudited	
	Six months ended 30 June	
	2014	2013
	HK\$'M	HK\$'M
	(Re-presented)	
Continuing operations		
Revenue	1,317.0	346.0
Cost of sales	(742.4)	(71.6)
Gross profit	574.6	274.4
Other (losses)/gains, net	(4.0)	115.3
Selling and distribution costs	(54.4)	(10.4)
Administrative expenses	(127.2)	(111.5)
Change in fair value of investment properties	1,345.7	826.1
Profit from operations	1,734.7	1,093.9
Finance costs	(70.7)	(78.3)
Finance income	5.8	22.5
Share of results of joint ventures	1.7	58.5
Share of results of associates	(0.2)	1.0
Profit before taxation from continuing operations	1,671.3	1,097.6
Taxation	(70.4)	(38.0)
Profit for the period from continuing operations	1,600.9	1,059.6
Discontinued operations		
Loss for the period from discontinued operations	-	(23.6)
Profit for the period	1,600.9	1,036.0
Attributable to:		
Equity holders of the Company		
– From continuing operations	1,600.9	1,059.4
– From discontinued operations	-	(23.6)
	1,600.9	1,035.8
Non-controlling interests		
– From continuing operations	-	0.2
	1,600.9	1,036.0

CONDENSED CONSOLIDATED INCOME STATEMENT (Continued)

For the six months ended 30 June 2014

	Unaudited	
	Six months ended 30 June 2014	2013 (Re-presented)
Earnings per share attributable to equity holders of the Company		
Basic earnings per share		
– From continuing operations	HK\$1.20	HK\$0.79
– From discontinued operations	-	(HK\$0.01)
	<u>HK\$1.20</u>	<u>HK\$0.78</u>
Diluted earnings per share		
– From continuing operations	HK\$1.19	HK\$0.79
– From discontinued operations	-	(HK\$0.02)
	<u>HK\$1.19</u>	<u>HK\$0.77</u>
Interim dividend (expressed in HK\$'M)	<u>56.2</u>	<u>56.1</u>

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2014

	Unaudited 30 June 2014 HK\$'M	Audited 31 December 2013 HK\$'M
ASSETS AND LIABILITIES		
Non-current assets		
Investment properties	20,364.4	19,002.7
Other properties, plant and equipment	61.4	68.0
Investments in joint ventures	482.3	511.5
Loans to joint ventures	1,828.5	1,726.7
Investments in associates	98.3	100.5
Loans to associates	24.7	24.7
Deposits and loan receivables	20.8	20.1
Other financial assets	475.4	401.6
Deferred tax assets	6.0	9.4
Derivative financial instruments	23.0	30.2
	<u>23,384.8</u>	<u>21,895.4</u>
Current assets		
Properties for sale	1,331.6	1,425.0
Trade and other receivables, deposits and prepayments	2,316.5	1,885.9
Other financial assets	39.8	51.3
Sales proceeds held in stakeholders' accounts	111.9	192.4
Tax recoverable	0.3	2.3
Restricted bank deposits	10.0	10.6
Bank balances and cash	585.4	1,242.2
	<u>4,395.5</u>	<u>4,809.7</u>
Current liabilities		
Trade and other payables and accruals	488.1	684.9
Derivative financial instruments	25.5	39.5
Tax payable	110.5	71.7
Bank and other borrowings	1,209.0	1,739.7
	<u>1,833.1</u>	<u>2,535.8</u>
Net current assets	<u>2,562.4</u>	<u>2,273.9</u>
Total assets less current liabilities	<u>25,947.2</u>	<u>24,169.3</u>

CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

As at 30 June 2014

	Unaudited 30 June 2014 HK\$'M	Audited 31 December 2013 HK\$'M
Non-current liabilities		
Bank and other borrowings	3,146.5	2,947.1
Other long-term liability	65.3	58.9
Derivative financial instruments	54.9	54.2
Deferred tax liabilities	237.3	213.9
	<u>3,504.0</u>	<u>3,274.1</u>
NET ASSETS	<u>22,443.2</u>	<u>20,895.2</u>
EQUITY		
Equity attributable to equity holders of the Company		
Share capital	669.3	667.6
Reserves	21,772.4	20,226.1
	<u>22,441.7</u>	<u>20,893.7</u>
Non-controlling interests	<u>1.5</u>	<u>1.5</u>
TOTAL EQUITY	<u>22,443.2</u>	<u>20,895.2</u>