Wing Tai Properties Announces 2017 Interim Results

Higher Profit from Residential Sales
Investment Properties Prove Resilient
Diversified Property Portfolio to Drive Further Opportunities

30 August 2017, Hong Kong - **Wing Tai Properties Limited** ("Wing Tai" or "the Group", SEHK stock code: 369) announced today the Group's unaudited consolidated results for the six months ended 30 June 2017.

In the first half of 2017, the Group's revenue was HK$546 million compared with HK$468 million in 2016. Consolidated profit attributable to equity holders was HK$450 million, an increase of HK$150 million compared with HK$300 million in 2016. The increase was mainly attributable to a higher fair value gain on investment properties and financial instruments of HK$254 million in the first half of 2017 compared with HK$162 million in 2016, as well as a higher profit from property development and property investment.

The Board of Directors proposed to declare an interim dividend of HK4.5 cents per share (1H 2016: HK4.2 cents), or a total interim dividend payout of around HK$60.6 million (1H 2016: HK$56.4 million), a 7% increase from 2016.

Mr. Edward Cheng, Deputy Chairman and Chief Executive of Wing Tai Properties Limited, said, "Our strategy stays simple and clear: we focus on growing a portfolio that offers a solid base of predictable, recurring revenue from the investment and hospitality properties we own and manage, balanced by our premium residential developments that provide outperformance driven by dedicated management. This consistent strategy has allowed us to build a balanced and well-diversified portfolio of residential, commercial and hospitality assets with a strong presence in Hong Kong, London and other key gateway cities in Asia."

Subsequent to the reporting period, Wing Tai Properties (Finance) Limited, a wholly-owned subsidiary of the Group, issued S$160 million 4.35% unrated senior guaranteed perpetual capital securities under the US$1 billion Medium Term Note Programme in August 2017. The positive market response reflects a strong endorsement of the Group's credibility for long-term funding among regional investors.

BUSINESS REVIEW

Property Development

For the six months ended 30 June 2017, the property development segment revenue was HK$94 million compared with HK$26 million in 2016. Segment profit before taxation was HK$9 million, an increase of HK$41 million compared with a segment loss of HK$32 million in 2016, mainly attributable to more property sales than in 2016 from wholly-owned projects and joint ventures that were recognised in the profit and loss account in the first half of 2017.

For the Group's wholly-owned projects, as at 30 June 2017, around 99% of the residential units of The Warren and all of the residential units of The Pierre were sold, cumulatively.

Among the joint venture projects, in the first half of 2017, around 2% of the residential units of Homantin Hillside in Hung Hom, the residential project in which the Group has a 50% interest, were sold. Cumulatively, as at 30 June 2017, around 94% of the units were sold.

As to the two luxury low-density residential developments at the peak of Kau To Shan, the occupation permit of Le Cap was obtained in July 2017, while superstructure work of La Vetta is in progress. Le Cap and La Vetta are scheduled for completion in 2017 and early 2018, respectively.

With regard to projects in the development pipeline, superstructure work is in progress for the prime harbour-front residential site located at Shau Kei Wan. The project, which is scheduled for completion in 2018, has already obtained its pre-sale consent. Besides, foundation work and site formation work are in progress for the low-density residential site in Siu Sau, Tai Lam, Tuen Mun, while the said works have begun for the medium-density residential site on So Kwun Wat Road, Tuen Mun. Ground investigation work was also kicked off for the site on Castle Peak Road, Tai Lam, Tuen Mun.

Property Investment and Management

During the reporting period, revenue and profit before taxation generated from the property investment and management segment were HK$381 million and HK$470 million, respectively. Excluding fair value changes in investment properties and financial instruments as well as a one-off compensation income of HK$11 million in 2016, segment profit before taxation stood at HK$240 million in the first half of 2017 compared with HK$230 million in 2016.

As at 30 June 2017, Wing Tai's portfolio of investment properties in Hong Kong, 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 around HK$19,260 million.

In Hong Kong, the Group's flagship Grade A office property in Kowloon East – Landmark East – achieved an occupancy of approximately 94% as at 30 June 2017. An average rental upward reversion of approximately 12% was achieved for the leases renewed during the reporting period.

W Square, located at Hennessy Road in the heart of Wan Chai, achieved an occupancy of approximately 94% as at 30 June 2017.

Additionally, the Group's two industrial buildings of Winner Godown Building in Tsuen Wan and Shui Hing Centre in Kowloon Bay achieved an average occupancy of approximately 87% as at 30 June 2017.

In the United Kingdom, the Group's wholly-owned investment properties, comprising approximately 41,000 square feet of Grade A office buildings, had an aggregate fair market valuation of around HK$875 million.

As at 30 June 2017, the three wholly-owned commercial properties located at Saville Row/Vigo Street of West End, Brook Street of West End, and Berkeley Square of West End, achieved an average occupancy of approximately 73%.

Besides, the commercial property at Fleet Place of the City, in which the Group has a 25% interest, achieved full occupancy. The Group also has a 33% interest in a six-storey commercial property located at Cavendish Square, West End. The property is currently vacant and undergoing refurbishment and expansion works which are scheduled for completion in the first half of 2018.

In Mainland China, the Group has 33 units at Central Park, Beijing. As at 30 June 2017, approximately 79% of units were leased. At the date of this announcement, all units are leased.

Hospitality Investment and Management

In the first half of 2017, revenue and profit before taxation generated from the hospitality investment and management segment was HK$60 million and HK$16 million, respectively. Excluding fair value changes in investment properties and financial instruments, segment profit before taxation was HK$10 million, compared with HK$2 million in 2016, an increase of HK$8 million mainly due to a higher profit from hotel operations in Hong Kong.

During the reporting period, Lanson Place Hotel in Hong Kong recorded an improved occupancy and stable average rental rates, while Lanson Place Bukit Ceylon Serviced Residences in Kuala Lumpur, in which the Group has a 50% interest, recorded a stable occupancy as well as average rental rates.

Lanson Place currently manages nine third-party serviced residences, of which five are in Shanghai. Other serviced residences are located in Hong Kong, Singapore, Kuala Lumpur and Chengdu. The new Tianfu Square Serviced Suites by Lanson Place, located at the main financial district of Luomashi, Chengdu, is targeted to open by the fourth quarter of 2017.

PROSPECTS

Looking ahead, the primary residential market in Hong Kong is expected to continue to be supported by strong pent-up demand in an ongoing low interest rate environment. With the Group's prevailing expectations on the pace of interest rate rises in the United States, Hong Kong's interest rates are likely to stay at low levels in the months to come.

In the second half of 2017, the Group is looking to complete the development of its luxury residential project Le Cap, and will capture the right market window to launch the sale, as well as selling the remaining special units and car parking spaces at Homantin Hillside.

On the commercial property front, the Group expects its Kowloon East properties to maintain stable rental rates with high occupancy in view of its prime location and the solid and quality tenant base.

As the Group focuses on building out its six residential development projects on hand in Hong Kong, it will continue to look for windows of opportunity to acquire strategic sites and properties for residential, commercial and hospitality developments, both domestically and abroad, for portfolio expansion and asset diversification.

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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 hospitality investment and management arm under the Lanson Place brand in Hong Kong, Shanghai, Chengdu, Singapore and Kuala Lumpur. Wing Tai Properties has been listed on The Stock Exchange of Hong Kong Limited since 1991.

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CONDENSED CONSOLIDATED INCOME STATEMENT
For the six months ended 30 June 2017

	Unaudited Six months ended 30 June 2017 HK$'M	2016 HK$'M
Revenue	545.8	468.0
Cost of sales	(138.4)	(92.0)
Gross profit	407.4	376.0
Other gains, net	3.7	10.2
Selling and distribution costs	(30.2)	(7.5)
Administrative expenses	(154.1)	(142.6)
Change in fair value of investment properties and financial instruments	254.1	162.1
Profit from operations	480.9	398.2
Finance costs	(37.1)	(44.0)
Finance income	17.5	10.4
Share of results of joint ventures	41.8	(6.9)
Share of results of associates	1.2	0.4
Profit before taxation	504.3	358.1
Taxation	(53.5)	(57.9)
Profit for the period	450.8	300.2
Profit attributable to:		
Equity holders of the Company	449.8	300.2
Non-controlling interests	1.0	-
	450.8	300.2
Earnings per share attributable to equity holders of the Company		
- Basic	HK$0.33	HK$0.22
- Diluted	HK$0.33	HK$0.22

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2017

	Unaudited 30 June 2017 HK$'M	Audited 31 December 2016 HK$'M
ASSETS AND LIABILITIES		
Non-current assets		
Investment properties	22,290.0	21,972.1
Other properties, plant and equipment	53.9	55.0
Investments in joint ventures	603.5	562.4
Loans to joint ventures	1,903.7	1,775.7
Investments in associates	7.3	5.4
Loans to associates	14.8	14.8
Deposits and loan receivables	0.3	0.3
Other financial assets	446.5	372.6
Deferred tax assets	9.7	8.1
Derivative financial instruments	13.9	13.5
	25,343.6	24,779.9
Current assets		
Properties for sale	3,607.0	3,489.7
Trade and other receivables, deposits and prepayments	303.0	813.1
Derivative financial instruments	0.6	9.2
Sales proceeds held in stakeholders' accounts	-	0.9
Tax recoverable	0.2	0.5
Bank balances and cash	2,267.5	1,682.8
	6,178.3	5,996.2
Current liabilities		
Trade and other payables and accruals	819.4	633.5
Derivative financial instruments	21.2	18.3
Tax payable	69.2	30.6
Bank and other borrowings	353.5	477.1
	1,263.3	1,159.5

CONDENSED CONSOLIDATED BALANCE SHEET (Continued)
As at 30 June 2017

	Unaudited 30 June 2017 HK$'M	Audited 31 December 2016 HK$'M
Non-current liabilities		
Bank and other borrowings	5,008.7	4,707.7
Other long-term liability	52.0	62.7
Derivative financial instruments	150.2	207.9
Deferred tax liabilities	347.5	326.2
	5,558.4	5,304.5
NET ASSETS	24,700.2	24,312.1
EQUITY		
Equity attributable to equity holders of the Company		
Share capital	673.0	671.7
Reserves	24,022.7	23,636.9
	24,695.7	24,308.6
Non-controlling interests	4.5	3.5
TOTAL EQUITY	24,700.2	24,312.1

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