Wing Tai Properties Announces 2015 Annual Results

Three Strategic Business Pillars Strengthened Further amid Market Volatility
Diversified Asset Portfolio with Strong Recurring Rental Income Provide Momentum for Growth

17 March 2016, Hong Kong - **Wing Tai Properties Limited** ("Wing Tai" or "the Group", SEHK stock code: 369) announced today the Group's audited consolidated results for the year ended 31 December 2015.

During the year, the Group's revenue was HK$1,009 million compared with HK$1,784 million in 2014. Consolidated profit attributable to equity holders was HK$1,099 million, a decrease of HK$845 million compared with HK$1,944 million in 2014. The decrease was mainly attributable to a lower fair value gain on investment properties and financial instruments of HK$705 million in 2015 compared with HK$1,539 million in 2014, as well as lower development profits offset by a one-off disposal gain on investment in an associate of HK$58 million. Earnings per share stood at HK$0.82.

The Board of Directors has recommended a final dividend of HK10.8 cents per share (2014: HK9.3 cents). Together with an interim dividend of HK4.2 cents per share (2014: HK4.2 cents), total dividend for the full year will be HK15.0 cents per share (2014: HK13.5 cents), a 11% increase from 2014.

Mr. Edward Cheng, Deputy Chairman and Chief Executive of Wing Tai Properties Limited, said, "In 2015, Wing Tai continued to strengthen the three strategic pillars of its business of property development, property investment and management, and hospitality investment and management. The Group endeavoured to maintain balanced sources of income, with emphases to increase the recurring income from its investment properties in Hong Kong and other key gateway cities through asset acquisitions and enhancements, and to expand its development pipeline for better scalability and cost efficiency, in order to neutralise the cyclical market volatility."

Mr. Cheng added, "Backed by a healthy and robust balance sheet, Wing Tai continues to adhere to its principles of prudent strategic planning and stringent execution to grow and diversify its asset portfolio in key gateway cities as, and when, the right opportunities emerge in the market. As such, the Group is able to bring satisfying results to all its stakeholders."

BUSINESS REVIEW

Property Development

In 2015, revenue and profit before taxation generated from this segment were HK$149 million and HK$44 million, respectively, mainly attributable to fewer property sales from wholly-owned projects in 2015 than in 2014.

For the Group's wholly-owned projects, around 8% of the residential units of The Warren and around 3% of the residential units of The Pierre were sold in 2015. Cumulatively, as at 31 December 2015, The Warren and The Pierre sold up to around 90% and 95% of their residential units respectively.

Foundation work has commenced for the prime harbour-front residential site located at Shau Kei Wan, and the project is scheduled for completion in 2018. Foundation work and site formation work are also underway for the site in Siu Sau, Castle Peak Road-Tai Lam, and the project is scheduled for completion by 2019. In December 2015, the Group further won a government tender for a residential site located at So Kwun Wat Road, Tuen Mun, with a gross floor area of approximately 264,000 square feet. The site has been in possession since January 2016 and the project is scheduled for completion in 2021.

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. As at 31 December 2015, around 85%, 91% and 95% of the residential units of Providence Bay, Providence Peak and The Graces were sold respectively.

Homantin Hillside in Hung Hom, the residential project in which the Group has a 50% interest, pre-sold around 45% of its residential units as at 31 December 2015. Superstructure work is in progress and the project is scheduled for completion in the second half of 2016.

The Group also has a 35% interest in each of two low-density residential projects in Kau To, Shatin. Superstructure work has begun, and the projects are scheduled for completion in 2017.

Property Investment and Management

In 2015, revenue and profit before taxation generated from this segment were HK$691 million and HK$1,215 million, respectively. Excluding fair value changes in investment properties and financial instruments, segment profit before taxation was HK$424 million in 2015, an increase of HK$31 million compared with HK$393 million in 2014 due to continued growth in rental rate and savings in finance costs due to bank loans repayment in the second half of 2014.

As at 31 December 2015, the Group'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$18,300 million.

In Hong Kong, the Group's flagship Grade A office property in Kowloon East - Landmark East - achieved an occupancy of approximately 97% as at 31 December 2015. An average rental upward reversion of around 18% was achieved for the leases renewed or reviewed during the year.

W Square, located at Hennessy Road in the heart of Wan Chai, achieved an occupancy of approximately 96% as at 31 December 2015. An average rental upward reversion of approximately 9% was achieved for the leases renewed during the year.

Additionally, the two industrial buildings of Winner Godown Building and Shui Hing Centre achieved an average occupancy of approximately 97% as at 31 December 2015. An average rental upward reversion of approximately 24% was achieved for the leases renewed during the year.

For wholly-owned properties in London, both of the two commercial properties located at Savile Row/ Vigo Street, as well as at Brook Street, in West End achieved full occupancy as at 31 December 2015. In September 2015, the Group acquired a 6-storey commercial property located at Berkeley Square, West End. As at 31 December 2015, the property achieved an occupancy of approximately 70%.

Through a joint venture with an independent third party, the Group acquired a 25% interest in a 12-storey commercial property located at Fleet Place, the City, London in September 2015. As at 31 December 2015, the property, which has a net internal area of approximately 186,000 square feet of Grade A office and retail space, achieved full occupancy. In January 2016, through a joint venture with two independent third parties, the Group further acquired a 33% interest in a 6-storey property located at Cavendish Square, West End. The property has a net internal area of approximately 11,000 square feet of office space.

In mainland China, Upper Riverside located at Pudong, Shanghai, the luxury apartment joint venture project in which the Group has a 50% interest, was completed in August 2015 and is ready for leasing and sale.

Hospitality Investment and Management

In 2015, revenue and loss before taxation generated from this segment were HK$147 million and HK$22 million, respectively. Excluding fair value changes in investment properties and financial instruments and the one-off disposal gain of HK$58 million on investment in an associate in 2015, segment profit before taxation was HK$20 million, compared with HK$36 million in 2014.

Lanson Place Hotel in Hong Kong recorded a stable occupancy but average rental rates were under pressure in line with the continued softening hotel market. Lanson Place Bukit Ceylon Serviced Residences in Kuala Lumpur, in which the Group has a 50% interest, has continued to build up its occupancy since its full opening in December 2014. Moreover, Lanson Place Central Park Serviced Residences in Beijing maintained stable average rental rate and occupancy of over 90%.

In July 2015, a 10-year management contract was signed to manage One Sunland Serviced Suites in Waigaoqiao Free Trade Zone, Pudong, Shanghai. The project is targeted to open by June 2016. Moreover, in February 2016, another 10-year management contract to manage a serviced apartment project of 213 units at Two MacDonnell Road, Mid-Levels, Hong Kong was concluded. The management period will commence on 24 March 2016.

In October 2015, the Group disposed of its entire 23.4% interest in Lanson Place Jinlin Tiandi Serviced Residences in Shanghai and recorded a one-off disposal gain of HK$58 million. The property remains under Lanson Place management following the disposal of the equity interest.

During the year, “Lanson Place Lifestyle Services” were rolled out in The Warren and The Pierre in Hong Kong, in addition to Upper Riverside in Shanghai.

PROSPECTS

Looking ahead, global economic conditions are likely to be challenging and there are also growing concerns about the outlook for the Hong Kong economy. Wing Tai will stay vigilant in the light of the downside risks and will take a disciplined approach to property sales in order to optimise value. The Group is prudently positive that the pent-up demand will continue to support home prices for quality products in the longer run. Particularly, the high-end luxury residential segment is always subject to tight supply and prospective purchasers are generally equipped with stronger purchasing power.

The Group’s investment portfolio of commercial properties is expected to enjoy a stable rental rates and occupancy, and generate a sustainable growth in recurring rental income. In Hong Kong, the continued expansion of Chinese-backed corporations into Hong Kong will support the trend of decentralisation, which is destined to turn Kowloon East into a new CBD area. Landmark East in Kowloon East is advantageously positioned to capitalise on the opportunities for rental growth while reinforcing its market leader position in this booming district.

By March 2016, our Lanson Place hospitality brand has managed eleven serviced apartment projects in Hong Kong, Beijing, Shanghai, Singapore and Kuala Lumpur, and a luxury boutique hotel in Hong Kong. The Group is committed to expanding the presence of Lanson Place in Hong Kong and Asia, through long-term third-party management contracts.

The Group will also stay prudently active in replenishing its land bank through public land tender programme and private treaty for development properties, and will take advantage of market opportunities to acquire yield-enhancing investment properties in Hong Kong and key gateway cities to grow its portfolio and recurring rental income.

Mr. Cheng concluded, "With a strong and robust capital structure, Wing Tai will prudently exercise its financial management to achieve the growing strategy of the Group, with an aim to further expand its balanced asset portfolio and deliver long-term value creation for stakeholders as a whole."

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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 has been listed on The Stock Exchange of Hong Kong Limited since 1991.

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CONSOLIDATED INCOME STATEMENT

	Year ended 31 December	
	2015	2014
	HK$'M	HK$'M
Revenue	1,009.2	1,783.5
Cost of sales	(264.3)	(857.1)
Gross profit	744.9	926.4
Other gains, net	71.2	8.0
Selling and distribution costs	(37.0)	(75.9)
Administrative expenses	(280.1)	(250.0)
Change in fair value of investment properties and financial instruments	704.7	1,539.2
Profit from operations	1,203.7	2,147.7
Finance costs	(106.5)	(130.1)
Finance income	14.7	13.9
Share of results of joint ventures	72.4	(0.6)
Share of results of associates	(2.0)	2.2
Profit before taxation	1,182.3	2,033.1
Taxation	(83.2)	(89.5)
Profit for the year attributable to equity holders of the Company	1,099.1	1,943.6
Earnings per share attributable to equity holders of the Company		
- Basic	HK$0.82	HK$1.45
- Diluted	HK$0.82	HK$1.45

CONSOLIDATED BALANCE SHEET

	2015	2014
	HK$'M	HK$'M
ASSETS AND LIABILITIES		
Non-current assets		
Investment properties	21,448.8	20,586.1
Other properties, plant and equipment	55.9	58.4
Investments in joint ventures	490.0	482.3
Loans to joint ventures	1,649.7	1,905.8
Investments in associates	5.1	100.0
Loans to associates	14.8	21.8
Deposits and loan receivables	15.1	17.5
Other financial assets	358.3	487.0
Deferred tax assets	6.5	4.5
Derivative financial instruments	3.4	-
	24,047.6	23,663.4
Current assets		
Properties for sale	1,295.6	1,322.2
Trade and other receivables, deposits and prepayments	776.3	777.0
Other financial assets	-	38.9
Derivative financial instruments	11.2	0.4
Sales proceeds held in stakeholders' accounts	-	79.1
Tax recoverable	1.4	40.7
Restricted bank deposits	14.6	13.5
Bank balances and cash	2,074.2	1,592.6
	4,173.3	3,864.4
Current liabilities		
Trade and other payables and accruals	435.7	404.4
Derivative financial instruments	19.0	18.9
Tax payable	48.6	46.2
Bank and other borrowings	439.6	63.8
	942.9	533.3

CONSOLIDATED BALANCE SHEET (Continued)

	2015	2014
	HK$'M	HK$'M
Non-current liabilities		
Bank and other borrowings	3,326.7	3,815.0
Other long-term liability	73.7	91.5
Derivative financial instruments	239.5	136.6
Deferred tax liabilities	290.8	271.2
	3,930.7	4,314.3
NET ASSETS	23,347.3	22,680.2
EQUITY		
Equity attributable to equity holders of the Company		
Share capital	670.6	669.3
Reserves	22,675.7	22,009.7
	23,346.3	22,679.0
Non-controlling interests	1.0	1.2
TOTAL EQUITY	23,347.3	22,680.2