Wing Tai Properties Announces 2018 Interim Results

Portfolio Rebalancing Fuels Profits for First Half
Strong Development Pipeline Supportive of Future Growth
Healthy War Chest Helps Optimise Growth Opportunities

24 August 2018, 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 2018.

During the period under review, the Group's revenue was HK$470 million compared with HK$546 million in 2017. Consolidated profit was HK$1,069 million, an increase of HK$618 million compared with HK$451 million in 2017. The increase was mainly attributable to a gain on the disposals of subsidiaries of HK$693 million, offset by a lower profit from property development and a lower fair value gain on investment properties and financial instruments. Consolidated profit attributable to shareholders was HK$1,036 million, an increase of HK$586 million compared with HK$450 million in 2017.

The Board of Directors proposed to declare an interim dividend of HK6.0 cents per share (1H 2017: HK4.5 cents), or a total interim dividend payout of around HK$80.9 million (1H 2017: HK$60.6 million).

Mr. Edward Cheng, Deputy Chairman and Chief Executive of Wing Tai Properties Limited, said, "It is always our long-term business strategy to accelerate the expansion of our strategic land bank and enhance our investment portfolio in the residential, commercial and/or hospitality arenas. Pressing ahead with the goal of strategically repositioning and expanding our asset portfolio, Wing Tai has established a solid presence in both the traditional CBD in Central and the growing CBD2 in Kowloon East. The Group remains firmly focused on proactively building an exciting development pipeline and is resolutely committed to continually developing its strategy to address the challenges as well as opportunities lying ahead, with the aim of growing and diversifying beyond its existing markets to achieve long-term sustainable growth."

BUSINESS REVIEW

Property Development

For the six months ended 30 June 2018, the property development segment revenue was HK$16 million compared with HK$94 million in 2017. Segment loss before taxation was HK$69 million compared with segment profit before taxation of HK$9 million in 2017.

For the Group's wholly-owned projects, The Carmel, a low-density residential site in Siu Sau, Tai Lam, Tuen Mun, is scheduled for completion in 2019. Upon receiving pre-sale consent in July 2017, the prime harbour-front residential development in Shau Kei Wan will also be fully furnished and is scheduled for leasing in 2019.

Among the joint venture projects, in the first half of 2018, around 2% of the residential units were sold at Homantin Hillside in Hung Hom, the residential project in which the Group has a 50% interest. Cumulatively, as at 30 June 2018, around 99% of the residential units were sold.

Le Cap and La Vetta in Kau To, Shatin, the two luxury low-density residential projects in which the Group has a 35% interest each, are scheduled for completion in 2018. Certificate of Compliance for Le Cap and Occupation Permit for La Vetta were obtained in March 2018. During the period under review, around 12% of the residential units of Le Cap were sold since its sales launch in late April.

The Group also led a joint venture for a commercial complex site in Central, Site C of the Gage Street/Graham Street as put up by the Urban Renewal Authority. The project is currently undergoing master planning stage and will be developed into a commercial complex comprising a Grade A office tower, a hotel, retail shops as well as public open space with green facilities for the neighbourhood.

Property Investment and Management

Following the completion of disposals of Winner Godown Building and W Square in the first half of 2018, revenue and profit before taxation generated from the property investment and management segment were HK$373 million and HK$1,229 million, respectively, for the six months ended 30 June 2018. Excluding fair value changes in investment properties and financial instruments and a one-off gain on the disposals of subsidiaries in 2018, segment profit before taxation was HK$237 million in the first half of 2018, compared with HK$240 million in 2017.

As at 30 June 2018, Wing Tai's portfolio of investment properties in Hong Kong comprises Landmark East and Shui Hing Centre with an aggregate fair market valuation of around HK$16,529 million. Landmark East, the Group's flagship Grade A office complex in Kowloon East, achieved an occupancy of approximately 98%. Shui Hing Centre, an industrial building in Kowloon Bay, achieved an average occupancy of approximately 96%.

The Group disposed of its entire interest in W Square in January 2018 at a consideration of approximately HK$2,850 million and recognised a disposal gain of HK$693 million. The transaction was completed in May 2018.

In the United Kingdom, the Group's wholly-owned investment properties in London, which comprise approximately 41,000 square feet of Grade A office buildings, had an aggregate fair market valuation of around HK$914 million.

As at 30 June 2018, the three wholly-owned commercial properties located at Saville Row/Vigo Street, Brook Street as well as Berkeley Square, all in the West End, achieved an average occupancy of approximately 83%.

Besides, as at 30 June 2018, the commercial property on Fleet Place of the City, in which the Group has a 25% interest, achieved an occupancy of approximately 94%. The Group also has a 33% interest in a commercial property located at Cavendish Square, West End. The property is currently vacant under refurbishment and expansion works, which are scheduled for completion in the second half of 2018.

In Mainland China, the Group has 33 units at Central Park, Beijing. As at 30 June 2018, approximately 91% of units were leased.

Hospitality Investment and Management

In the first half of 2018, revenue and profit before taxation generated from the hospitality investment and management segment were HK$68 million and HK$66 million, respectively. Excluding fair value changes in investment properties and financial instruments, segment profit before taxation was HK$18 million in the first half of 2018, compared with HK$10 million in 2017, an increase of HK$8 million which was due to a higher profit from hotel operations in Hong Kong.

During the period under review, 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.

In April 2018, a 10-year management contract was signed to manage a brand new luxurious serviced residence project in the city centre of Melbourne. The project is targeted for completion by 2022. This marks Lanson Place's first property in Australia, and is also the Group's 12th managed property in the Asia Pacific region.

PROSPECTS

Looking ahead, the Group expects the Hong Kong economy and property market would become more challenging on the back of uncertainties brought about by the Sino-US trade disputes, interest rate hikes, recent RMB and stock market fluctuations, as well as accelerated government cooling measures on residential property.

The Hong Kong government announced a slew of additional housing initiatives in late June, including an introduction to a new vacancy tax on first-hand residential properties. While impact of such measures will hinge much on detailed arrangements which have yet to be fully released, it will take time for the market to absorb and reflect the effects. As such, the Group believes the near-term residential property market would remain resilient in the light of strong demand from domestic end-users and investors, supported by relatively low mortgage rates and ample financing liquidity.

On the residential front, the Group will stay proactive yet cautious in acquiring strategic sites for its development pipeline and will be vigilant in capturing market opportunities to sell its developed products to optimise return. Second phase of Le Cap will be launched while full preparation for the launch of La Vetta is underway. Concurrently, the Group is also seeking out windows of opportunity to launch The Carmel, the low-density residential project in Siu Sau, Tuen Mun.

For the office market, the relocation trend to Kowloon East is expected to persist, with Grade A office rentals trending higher. Boosted by a strong and high-quality tenant mix, Landmark East is poised to continue to enjoy a high occupancy and solid rental growth amid a dynamic future.

With a strong financial position and surplus cash on hand, the Group will continue to uphold its disciplined approach to take advantage of the opportunities that come along to acquire yield-enhancing properties in Hong Kong and London.

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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 2018

	Unaudited	
	Six months ended 30 June	
	2018	2017
	HK$'M	HK$'M
Revenue	469.5	545.8
Cost of sales	(99.4)	(138.4)
Gross profit	370.1	407.4
Other (losses)/gains, net	(32.5)	3.7
Selling and distribution costs	(18.1)	(30.2)
Administrative expenses	(155.2)	(154.1)
Change in fair value of		
– investment properties	337.3	239.9
– financial instruments	(104.8)	14.2
	232.5	254.1
Gain on disposal of subsidiaries	693.3	-
Profit from operations	1,090.1	480.9
Finance costs	(34.7)	(37.1)
Finance income	15.6	17.5
Share of results of joint ventures	40.3	41.8
Share of results of associates	0.9	1.2
Profit before taxation	1,112.2	504.3
Taxation	(43.1)	(53.5)
Profit for the period	1,069.1	450.8
Profit for the period attributable to:		
Shareholders of the Company	1,035.5	449.8
Holders of perpetual capital securities	33.1	-
Non-controlling interests	0.5	1.0
	1,069.1	450.8
Earnings per share attributable to shareholders of the Company		
– Basic	HK$0.77	HK$0.33
– Diluted	HK$0.77	HK$0.33

CONSOLIDATED BALANCE SHEET

As at 30 June 2018

	Unaudited 30 June 2018 HK$'M	Audited 31 December 2017 HK$'M
ASSETS AND LIABILITIES		
Non-current assets		
Investment properties	19,638.4	19,317.1
Other properties, plant and equipment	75.7	78.7
Investments in joint ventures	703.4	661.7
Loans to joint ventures	5,114.3	6,070.7
Investments in associates	12.1	14.7
Loans to associates	14.4	14.7
Financial investments at fair value through profit or loss	420.3	-
Available-for-sale financial assets	-	529.9
Deferred tax assets	18.3	13.4
Derivative financial instruments	38.5	49.3
	26,035.4	26,750.2
Current assets		
Properties for sale	4,187.9	3,856.2
Trade and other receivables, deposits and prepayments	1,202.7	2,102.7
Derivative financial instruments	4.9	0.5
Tax recoverable	0.2	0.6
Bank balances and cash	3,989.4	654.2
	9,385.1	6,614.2
Assets classified as held for sale	-	2,131.7
	9,385.1	8,745.9
Current liabilities		
Trade and other payables and accruals	978.8	912.3
Derivative financial instruments	16.9	25.2
Tax payable	77.4	43.3
Bank and other borrowings	512.9	1,401.5
	1,586.0	2,382.3
Liabilities directly associated with assets classified as held for sale	-	39.3
	1,586.0	2,421.6

CONSOLIDATED BALANCE SHEET (Continued)
As at 30 June 2018

	Unaudited 30 June 2018 HK$'M	Audited 31 December 2017 HK$'M
Non-current liabilities		
Bank and other borrowings	4,807.7	4,782.6
Other long-term liability	45.7	57.7
Derivative financial instruments	105.9	101.4
Deferred tax liabilities	332.2	322.9
	5,291.5	5,264.6
NET ASSETS	28,543.0	27,809.9
EQUITY		
Shareholders' funds		
Share capital	674.6	673.1
Reserves	26,348.7	25,616.8
	27,023.3	26,289.9
Perpetual capital securities	1,513.7	1,514.5
Non-controlling interests	6.0	5.5
TOTAL EQUITY	28,543.0	27,809.9

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