Wing Tai Properties Announces 2019 Annual Results

Solid Performance Amid Economic Uncertainties
Healthy Development Pipeline Poised for Long-term Growth

27 March 2020, 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 2019.

During the year, the Group's revenue was HK$830 million compared with HK$885 million in 2018. Consolidated profit attributable to shareholders was HK$239 million, a decrease of HK$1,073 million compared with HK$1,312 million in 2018. This was mainly attributable to a one-off disposal gain on W Square of HK$693 million in 2018 and a decrease in fair value gain on investment properties and financial instruments including joint ventures of HK$433 million (HK$191 million loss in 2019 compared to HK$242 million gain in 2018), offset by HK$56 million higher profit from the property development segment.

Core consolidated profit attributable to shareholders, excluding one-off gains and change in fair value on investment properties and financial instruments including joint ventures, was HK$424 million, an increase of HK$88 million, compared with HK$336 million in 2018.

The Board of Directors has recommended a final dividend of HK21.0 cents per share (2018: HK21.0 cents). Together with an interim dividend of HK6.0 cents per share (2018: HK6.0 cents), the total dividend for the full year will be HK27.0 cents per share (2018: HK27.0 cents), same as 2018.

Mr. Edward Cheng, Deputy Chairman and Chief Executive of Wing Tai Properties Limited, said, "2019 was a year filled with challenges, with the overall Hong Kong economy, residential property market and hotel sectors all weakening since June, impacted by the intensified Sino-US trade war and local social activities. Despite that, we managed to capture solid demand from first-time local home buyers to launch two 'Upper Gold Coast series' residential projects, The Carmel in January and OMA OMA in June. At the same time, we continued to improve the occupancy of our Grade A commercial properties, and together with the rental income from the newly acquired and fully-let Grade A office tower at 30 Gresham Street, we generated steadily growing recurring income. Regarding our hospitality business, we continued to expand our presence in Asia by entering the Philippines market through Lanson Place, our hospitality investment and management brand. In general, we demonstrated great resilience amid economic uncertainties and continued to deliver solid performance through our high quality products and services to customers.

The COVID-19 outbreak in January 2020 has disrupted supply chains, business activities and our hotel operations, delaying our construction and sale programs. Management will diligently monitor the impact of the prevailing pandemic on our business performance and cash flow. Inevitably, such impact will be a critical factor to consider when recommending the dividend payment in the coming year."

BUSINESS REVIEW

Property Development

The revenue from the property development segment in 2019 was HK$26 million, compared with HK$32 million in 2018. Segment profit before taxation was HK$15 million compared with segment loss before taxation of HK$34 million in 2018, given our joint venture projects, Le Cap and La Vetta handed over more sold units to buyers this year.

Regarding the Group's wholly-owned projects, The Carmel, a low-density residential site located in Siu Sau, Tai Lam, Tuen Mun, launched its pre-sale in January 2019. It obtained an occupation permit and certificate of completion in June and December 2019, and the project was completed in January 2020. We have started the handover to buyers. By the end of 2019, 89% (in terms of number) of the residential units were sold. OMA OMA, a medium-density residential site on So Kwun Wat Road, So Kwun Wat, Tuen Mun, has obtained pre-sale consent and its pre-sale was launched in June 2019. The project is scheduled for completion in 2021. As at 31 December 2019, around 71% (in terms of number) of the residential units were sold.

For joint venture projects, the Group holds 35% interest in two low-density residential projects, Le Cap and La Vetta, which are located in Kau To, Shatin. Approximately 3% and 18% (in terms of number) of the residential units of Le Cap and La Vetta were sold in 2019, making the accumulated residential units sold for both projects around 28% and 27% (in terms of number) by the end of 2019 respectively. The Group is the joint project manager and is responsible for the sales and marketing for both projects.

In addition, the Group holds 50% interest in a commercial complex site in Gage Street/Graham Street, Central, which was put up by the Urban Renewal Authority. The site will be developed into a Grade A office tower, a hotel, retail shops, as well as a public open space with green facilities. Currently, the foundation work is in progress and the Group is the lead project manager and lead leasing manager for the project.

Property Investment and Management

Revenue from the property investment and management segment dropped to HK$626 million in 2019 after the disposals of Winner Godown Building and W Square were completed in the first half of 2018. Meanwhile, excluding one-off disposal gain, change in fair value on investment properties and financial instruments including joint ventures and rental income from the properties disposed in 2018, the segmental profit before taxation increased to HK$457 million from HK$430 million in 2018 due to the leasing profit from 30 Gresham Street, London, which was acquired in December 2018.

By the end of 2019, the Group's portfolio of investment properties was mainly comprised of Grade A office buildings, which contained a total area of approximately 1,886,000 square feet with an aggregate attributable fair market valuation of around HK$20,600 million. The portfolio encompasses 1,525,000 square feet in Hong Kong, 295,000 square feet in London and 6,200 square metre in Beijing.

For the investment properties in Hong Kong, Landmark East, the Group's flagship Grade A office complex located in Kowloon East, achieved an occupancy of approximately 93% as at 31 December 2019. Meanwhile, Shui Hing Centre, an industrial building located in Kowloon Bay, achieved an occupancy of approximately 97%. In November 2019, a waiver for revitalization of the building has been obtained.

Regarding the investment properties in the United Kingdom, the Group has three wholly-owned commercial properties in London located at Savile Row/Vigo Street, West End, Brook Street, West End and Berkeley Square, West End respectively. As at 31 December 2019, the average occupancy of the three aforementioned properties was 99%. Besides, the Group also has three joint ventures commercial properties in Fleet Place, the City, Cavendish Square, West End and 30 Gresham Street, City of London, in which the Group has a 25%, 33% and 50% interest respectively. As at 31 December 2019, the average occupancy of the three joint ventures properties was 96%.

In China, the Group has 33 residential units at Central Park, Beijing. Approximately 91% of units (in terms of number) were leased as at 31 December 2019.

Hospitality Investment and Management

In 2019, the hospitality investment and management segment generated revenue which amounted to HK$122 million, compared with HK$144 million in 2018. The segmental loss before taxation (including fair value changes) was HK$232 million in 2019 compared with profit before taxation of HK$120 million in 2018. Excluding fair value changes in investment properties and financial instruments, including joint ventures, the segmental loss before taxation was HK$13 million in 2019 compared with profit before taxation of HK$35 million in 2018.

In Hong Kong, the wholly-owned Lanson Place Hotel in Hong Kong suffered from social activities since June 2019 and COVID-19 outbreak since January 2020, resulting in a drastic drop in both occupancy and average room rates. The situation has worsened after the global spread of COVID-19 in late February 2020.

Waterfront Suites, a wholly-owned prime harbour-front furnished residence in Sai Wan Ho opened and commenced leasing in April 2019, its occupancy has continued to rise even though the pace has slowed down under the influence of local social activities and COVID-19 outbreak.

The Lanson Place Bukit Ceylon Serviced Residences in Kuala Lumpur, which the Group has a 50% interest in, recorded stable occupancy during the year despite also suffering from the outbreak of COVID-19 since January 2020.

The Group entered into a 10-year management contract to manage a brand new hotel and serviced residence of approximately 400 units at the heart of SM Mall of Asia in Manila, Philippines in May 2019. The target completion date for the project is 2022, and that would mark Lanson Place's first property in the Philippines. The project is also the Group's 13th managed property in the Asia-Pacific region.

Lanson Place currently manages properties including serviced apartments in Hong Kong, Shanghai, Chengdu, Kuala Lumpur, Singapore, Melbourne, Manila, and a multi-awarded luxury boutique hotel in Hong Kong.

Others

Revenue and profit before taxation from this segment, representing investing activities and central management and administrative expenses, were HK$55 million and HK$132 million, respectively, in 2019. Excluding fair value changes in financial instruments, the segment profit before taxation was HK$105 million in 2019, compared with HK$42 million in 2018. It was mainly due to an increase in interest income from debt securities and in bank interest income from time deposit placements during the year.

PROSPECTS

For 2020, Hong Kong economy, property market, and hospitability industry will be affected by the severe coronavirus epidemic, on-going local social activities, weakening world economy, as well as lingering uncertainty over the second stage of the Sino-US trade talks. These uncertainties will undoubtedly undermine our business performance in the near term.

For our residential development, we believe the local housing demand, especially from first time home buyers of small units, will continue to be solid given the unresolved property supply shortage in Hong Kong, latest government easing policies on home mortgage, and trending decrease of the already low interest rate. We will dedicate our efforts to complete our existing projects on schedule and put out into the market our third "Upper Gold Coast series" project as soon as it is ready in 2020. This project adjacent to The Carmel will provide around 500 medium-density small-to-medium size units suitable for young homebuyers.

Our investment properties in Hong Kong and London form a strong foundation of our balance sheet and will continue to provide a sustainable stream of steady recurring income and cash flow for the Group. We expect the coming lease renewal and rental rate for Landmark East in Hong Kong will be under pressure amidst a downturn in the economy. Although, we believe our London properties will benefit from the easing concerns over Brexit issues in terms of occupancy and rental growth, the outlook will be affected by the fallouts of the epidemic. We will focus to provide high quality management services, enhance tenant profile, and adopt asset management initiatives to streamline our operation for further improvements in efficiency and effectiveness.

Our hotel operations will inevitably continue to suffer operating loss until the coronavirus spread is under control and global travel returns to a normal level. Given that our investments in hotel properties are relatively small, we believe the impact on the Group's overall performance will be manageable.

Throughout the past few years, the Group has strengthened its balance sheet, diversified and expanded its funding sources and investment portfolio. Relying on our solid financial position and sustainable recurrent income, we will be able to manage the economic challenges ahead with confidence, and to stay proactive in looking out for investment opportunities in a prudent manner.

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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, Kuala Lumpur, Melbourne and Manila. 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 2019 HK$'M	2018 HK$'M
Revenue	829.5	884.7
Cost of sales	(163.1)	(175.3)
Gross profit	666.4	709.4
Other gains, net	6.8	14.0
Selling and distribution costs	(65.1)	(33.9)
Administrative expenses	(340.8)	(312.8)
Change in fair value of		
– investment properties	(126.4)	348.4
– financial instruments	19.0	(94.9)
	(107.4)	253.5
Gain on disposal of subsidiaries	5.9	693.3
Profit from operations	165.8	1,323.5
Finance costs	(61.7)	(58.4)
Finance income	74.1	46.4
Share of results of joint ventures	193.9	115.6
Share of results of associates	2.6	5.2
Profit before taxation	374.7	1,432.3
Taxation	(69.7)	(52.8)
Profit for the year	305.0	1,379.5
Profit for the year attributable to:		
Shareholders of the Company	238.9	1,312.4
Holders of perpetual capital securities	64.9	65.7
Non-controlling interests	1.2	1.4
	305.0	1,379.5
Earnings per share attributable to shareholders of the Company		
– Basic	HK$0.18	HK$0.97
– Diluted	HK$0.18	HK$0.97

CONSOLIDATED BALANCE SHEET

	At 31 December 2019 HK$'M	2018 HK$'M
ASSETS AND LIABILITIES		
Non-current assets		
Investment properties	20,427.3	20,459.4
Other properties, plant and equipment	74.7	74.1
Investments in joint ventures	1,566.1	1,920.7
Loans to joint ventures	3,919.7	3,835.7
Investments in associates	17.2	16.0
Loans to associates	22.4	22.4
Financial investments at amortised cost	385.3	335.5
Financial investments at fair value through profit or loss	603.7	553.8
Other non-current assets	147.9	-
Deferred tax assets	34.6	20.9
Derivative financial instruments	45.8	49.5
	27,244.7	27,288.0
Current assets		
Properties for sale	4,909.7	4,006.4
Trade and other receivables, deposits and prepayments	1,415.5	918.3
Financial investments at amortised cost	329.9	248.3
Financial investments at fair value through profit or loss	46.9	84.7
Derivative financial instruments	0.7	5.3
Sales proceeds held in stakeholders' accounts	616.0	-
Tax recoverable	2.9	3.1
Bank balances and cash	1,740.0	2,873.6
	9,061.6	8,139.7
Assets classified as held for sale	16.5	-
	9,078.1	8,139.7

CONSOLIDATED BALANCE SHEET (Continued)

	At 31 December	
	2019	**2018**
	HK$'M	HK$'M
Current liabilities		
Trade and other payables and accruals	2,466.5	1,154.6
Derivative financial instruments	18.1	21.8
Tax payable	23.2	3.7
Bank and other borrowings	146.6	1,295.3
	2,654.4	2,475.4
Liabilities directly associated with assets classified as held for sale	2.1	-
	2,656.5	2,475.4
Non-current liabilities		
Bank and other borrowings	4,534.8	3,739.2
Other long-term liability	41.9	48.7
Derivative financial instruments	108.5	107.2
Deferred tax liabilities	357.6	335.3
	5,042.8	4,230.4
NET ASSETS	28,623.5	28,721.9
EQUITY		
Shareholders' funds		
Share capital	676.3	674.6
Reserves	26,425.9	26,526.7
	27,102.2	27,201.3
Perpetual capital securities	1,513.7	1,513.9
Non-controlling interests	7.6	6.7
TOTAL EQUITY	28,623.5	28,721.9

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