永泰地產有限公司
WING TAI PROPERTIES LIMITED
(incorporated in Bermuda with limited liability)

Wing Tai Properties Announces 2020 Interim Results

Severe Challenges Posed by Pandemic and Economic Hardships Demonstrated Resilience Amid Industry Headwinds

28 August 2020, 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 2020.

In the first half of 2020, the Group's revenue was HK$1,957 million compared with HK$424 million in 2019. Consolidated loss attributable to shareholders was HK$486 million, a decrease of HK$698 million compared with profit of HK$212 million in 2019. This was mainly attributable to a fair value loss on investment properties and financial instruments including joint ventures of HK$773 million in the first half of 2020 as compared to HK$27 million in 2019, and offset by HK$85 million higher profit from the property development segment due to profit recognised from The Carmel.

Core consolidated profit attributable to shareholders, excluding change in fair value on investment properties and financial instruments including joint ventures, was HK$287 million, an increase of HK$48 million, compared with HK$239 million in 2019.

The Board of Directors has recommended an interim dividend of HK6.0 cents per share (1H 2019: HK6.0 cents).

Mr. Edward Cheng, Deputy Chairman and Chief Executive of Wing Tai Properties Limited, said, "The first half of 2020 was extremely challenging to Hong Kong's economy and property sector. Already weakened from last year's social unrest, Hong Kong's residential property market has taken another blow from the COVID-19 outbreak. Nonetheless, we have managed to capture the solid demand from local first-time home buyers by launching the remaining house units of The Carmel in January 2020. We have also launched the pre-sale of OMA by the Sea, the third "Upper Gold Coast series" residential project in May 2020. Both projects are well-received by the market. Regarding investment properties, Landmark East, our flagship Grade A twin office towers in Kwun Tong, has managed to maintain its average occupancy rate and rental income in the first half of 2020 despite the impact of the pandemic. For hospitality business, occupancy rate has recorded significant decrease due to global travel ban. Overall, we continued to strive for good results and delivered solid return to shareholders amidst the challenges brought by the pandemic and economic hardship.

In response to the pandemic, we have strictly followed the government guidelines and implemented various measures to ensure the wellbeing of our employees and minimise the operational impact to the Group. We will diligently monitor the impact of the pandemic on our business performance and cash flow. Inevitably, such impact will be a critical factor to consider when recommending the 2020 final dividend payment."

BUSINESS REVIEW

Property Development

The revenue from the property development segment in the first half of 2020 was HK$1,591 million, compared with HK$12 million in 2019. Segment profit before taxation was HK$87 million compared with HK$29 million in 2019, as a result of sold units of The Carmel handed over to buyers during the period.

For wholly-owned projects, The Carmel, a low-density residential site in Siu Sau, Tai Lam, Tuen Mun has sold around 4% (in terms of number) of its residential units in the first half of 2020. Among them, approximately 88% (in terms of number) of the residential units were handed over to buyers with related revenue recognised in this period. OMA OMA, a medium-density residential site on So Kwun Wat Road, So Kwun Wat, Tuen Mun, is undergoing superstructure work and is scheduled for completion by 2021. It has sold around 12% (in terms of number) of the residential units in the first half of 2020, and has cumulatively sold approximately 83% (in terms of number) of the residential units as at 30 June 2020.

Regarding majority-owned project, the Group has launched the pre-sale of OMA by the Sea, the site adjacent to The Carmel in Siu Sau, Tai Lam, Tuen Mun; a medium-density residential site which the Group has a 70% interest. The project has obtained pre-sale consent in March 2020 and launched pre-sale in May 2020. The superstructure work has begun and is scheduled for completion by 2022. As at 30 June 2020, approximately 62% (in terms of number) of the residential units were sold.

For joint venture projects, the Group possesses 35% interest in two low-density residential projects, Le Cap and La Vetta, which are located in Kau To, Shatin. In the first half of 2020, approximately 1% and 3% (in terms of number) of the residential units of Le Cap and La Vetta were sold, respectively; making the accumulated residential units sold for both projects around 30% (in terms of number) as at 30 June 2020.

The Group also has a 50% interest in a commercial complex site at Gage Street/Graham Street in Central. Given its advantageous location in Central business district, the site will be developed into a Grade A office tower, a hotel, retail shops, as well as public open space with green facilities for the neighbourhood. The foundation work for the project is in progress.

Property Investment and Management

Revenue from the property investment and management segment decreased to HK$312 million in the first half of 2020. Meanwhile, excluding change in fair value on investment properties and financial instruments including joint ventures (2020 has registered a fair value loss of HK$363 million, compared with a fair value loss of HK$29 million in 2019), segmental profit before taxation was HK$209 million compared with HK$229 million in 2019.

As at 30 June 2020, the investment properties portfolio of the Group was comprised of mostly Grade A office buildings, which has a total area of approximately 1,886,000 square feet with an aggregate attributable fair market valuation of around HK$20,100 million. The portfolio includes 1,525,000 square feet in Hong Kong, 295,000 square feet in London and 6,200 square metre in Beijing.

Regarding investment properties in Hong Kong, Landmark East located in Kowloon East remains the Group's flagship property, and has achieved an occupancy of approximately 92% as at 30 June 2020. Shui Hing Centre, an industrial building in Kowloon Bay which has obtained a waiver for revitalization in November 2019, has managed to achieve an occupancy of approximately 91% by 30 June 2020.

The Group has three wholly-owned commercial properties in London, the United Kingdom. They are located at Savile Row/Vigo Street, West End, Brook Street, West End and Berkeley Square, West End respectively. As at 30 June 2020, the three properties above achieved an average occupancy of approximately 99%. In addition, the Group also possesses three joint ventures commercial properties in Fleet Place, the City, Cavendish Square, West End and Gresham Street, the City; which the Group holds a 25%, 33% and 50% of interest respectively. The average occupancy of the three joint ventures properties was 97% as at 30 June 2020.

In China, the Group has 33 residential units at Central Park, Beijing. Approximately 94 % of units (in terms of number) were leased as at 30 June 2020.

Hospitality Investment and Management

In the first half of 2020, the hospitality investment and management segment generated revenue which amounted to HK$28 million, compared with HK$71 million in 2019. The segmental loss before taxation (including fair value changes) was HK$195 million in 2020 compared with loss of HK$1 million in 2019. Excluding fair value changes in investment properties and financial instruments including joint ventures (2020 registered a fair value loss of HK$171 million, compared with fair value loss of HK$10 million in 2019), the segmental loss before taxation was HK$24 million in 2020 compared with profit before taxation of HK$9 million in 2019.

In Hong Kong, the Group's wholly-owned Lanson Place Hotel has been severely impacted by the COVID-19 outbreak since January 2020, resulted in a drastic drop in both occupancy and average room rates in the first half of 2020. The situation has worsened in late February 2020 and travel restrictions and quarantine measures were imposed globally.

Waterfront Suites, the Group's wholly-owned prime harbour-front furnished residences in Sai Wan Ho, was opened in April 2019 for leasing, and occupancy continued to build up despite at a slower pace due to local social activities and the COVID-19 pandemic.

The Group has a 50% interest in Lanson Place Bukit Ceylon Serviced Residences in Kuala Lumpur, which recorded a stable occupancy in January 2020 but gradually slowed down in February amidst COVID-19. The demand came to a halt following the announcement of Movement Control Order in March 2020.

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

Others

This segment represents investing activities and central management and administrative expenses. In the first half of 2020, revenue and loss before taxation from this segment were HK$26 million and HK$150 million, respectively. That was mainly due to the fair value loss of HK$117 million from the Group's investment in Suntec REIT (2019 was fair value gain of HK$42 million), which is listed on the Singapore Exchange, as the unit market price of Suntec REIT has dropped compared to the unit market price at 31 December 2019 given the impact of the COVID-19 pandemic. Excluding fair value changes in financial instruments, the segment profit before taxation was HK$38 million in 2020, compared with HK$45 million in 2019. It was primarily attributable to decrease in interest income from debt securities and in bank interest income from time deposit placements during the period.

PROSPECTS

For the second half of 2020, the intensified Sino-US tension, US sanctions on Hong Kong and the new wave of pandemic spread have further dampened the already weaken local economy and property market, and will likely result in increasing unemployment rate and prolonged recession with shrinking GDP.

While the Group will cautiously monitor the development of residential property market in Hong Kong, we believe the pent up demand of local first-time home buyers and low interest rates will form a stable support level for the residential property market. We will continue the sale of the remaining units of our three Upper Gold Coast series, albeit at a slower pace.

Our commercial properties in Hong Kong and London anchor a solid foundation of our balance sheet and will continue to provide steady recurring income and cash flows for the Group. However, the coming lease renewal, occupancy and rental rate for our properties will inevitably be under pressure given the uncertain business outlook. We believe our hotel operations will remain weak until the pandemic is under control and most travel restrictions are withdrawn.

The uncertain outlook on pandemic and economic recovery in the near term may further affect the valuation of our investment properties towards the end of 2020 and may further impact on full year reporting profit despite no cashflow impact on our financials.

The Group has a healthy balance sheet, resilient capital structure, and diversified asset portfolios, and we will remain vigilant against any short term market fluctuation. We will maintain our focus on developing quality projects, delivering premium services, as well as improving the efficiency and cost-effectiveness of our operations, while prudently exploring new opportunities that would generate stable returns for our shareholders.

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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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CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2020

	Unaudited Six months ended 30 June 2020 HK$'M	Unaudited Six months ended 30 June 2019 HK$'M
Revenue	1,956.5	423.9
Cost of sales	(1,333.7)	(82.8)
Gross profit	622.8	341.1
Other gains, net	4.1	7.2
Selling and distribution costs	(109.6)	(30.4)
Administrative expenses	(169.0)	(170.0)
Change in fair value of		
– investment properties	(434.3)	48.1
– financial instruments	(248.4)	1.4
	(682.7)	49.5
(Loss)/profit from operations	(334.4)	197.4
Finance costs	(46.4)	(29.8)
Finance income	27.7	36.5
Share of results of joint ventures	(60.6)	79.9
Share of results of associates	2.3	1.4
(Loss)/profit before taxation	(411.4)	285.4
Taxation	(46.5)	(40.0)
(Loss)/profit for the period	(457.9)	245.4
(Loss)/profit for the period attributable to:		
Shareholders of the Company	(485.7)	212.2
Holders of perpetual capital securities	31.5	32.4
Non-controlling interests	(3.7)	0.8
	(457.9)	245.4
(Loss)/earnings per share attributable to shareholders of the Company		
– Basic	(HK$0.36)	HK$0.16
– Diluted	(HK$0.36)	HK$0.16

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2020

	Unaudited 30 June 2020 HK$'M	Audited 31 December 2019 HK$'M
ASSETS AND LIABILITIES		
Non-current assets		
Investment properties	19,915.8	20,427.3
Other properties, plant and equipment	72.8	74.7
Investments in joint ventures	1,507.1	1,566.1
Loans to joint ventures	3,786.4	3,919.7
Investments in associates	19.0	17.2
Loans to associates	22.4	22.4
Financial investments at amortised cost	210.1	385.3
Financial investments at fair value through profit or loss	499.5	603.7
Other non-current assets	806.3	147.9
Deferred tax assets	21.5	34.6
Derivative financial instruments	76.9	45.8
	26,937.8	27,244.7
Current assets		
Properties for sale	4,106.8	4,909.7
Trade and other receivables, deposits and prepayments	1,360.7	1,415.5
Financial investments at amortised cost	316.3	329.9
Financial investments at fair value through profit or loss	220.8	46.9
Derivative financial instruments	2.4	0.7
Sales proceeds held in stakeholders' accounts	804.0	616.0
Tax recoverable	-	2.9
Bank balances and cash	2,349.1	1,740.0
	9,160.1	9,061.6
Assets classified as held for sale	-	16.5
	9,160.1	9,078.1

CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

As at 30 June 2020

	Unaudited 30 June 2020 HK$'M	Audited 31 December 2019 HK$'M
Current liabilities		
Trade and other payables and accruals	2,536.5	2,466.5
Derivative financial instruments	24.6	18.1
Tax payable	30.8	23.2
Bank and other borrowings	342.7	146.6
	2,934.6	2,654.4
Liabilities directly associated with assets classified as held for sale	-	2.1
	2,934.6	2,656.5
Non-current liabilities		
Bank and other borrowings	4,723.2	4,534.8
Other long-term liability	50.4	41.9
Derivative financial instruments	191.6	108.5
Deferred tax liabilities	356.6	357.6
	5,321.8	5,042.8
NET ASSETS	27,841.5	28,623.5
EQUITY		
Shareholders' funds		
Share capital	677.3	676.3
Reserves	25,647.6	26,425.9
	26,324.9	27,102.2
Perpetual capital securities	1,512.7	1,513.7
Non-controlling interests	3.9	7.6
TOTAL EQUITY	27,841.5	28,623.5

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