Wing Tai Properties Announces 2021 Interim Results

Placed a Solid Footing in the "Affordable Luxury" Market
Properties Portfolio in Hong Kong and London Further Expanded

26 August 2021, 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 2021.

In the first half of 2021, the Group's revenue was HK$497 million, compared with HK$1,957 million in 2020. The decrease was mainly due to less revenue recognition from sales of remaining units of The Carmel, as compared to the first-time revenue recognition upon handover of all pre-sold units of The Carmel in 2020. Consolidated profit attributable to shareholders was HK$188 million, an increase of HK$674 million compared with consolidated loss of HK$486 million in 2020.

Core consolidated profit attributable to shareholders, excluding one-off valuation gain and change in fair value on investment properties and financial instruments including joint ventures, was HK$99 million, a decrease of HK$188 million, mainly due to less property sales handed over to buyers, compared with HK$287 million in 2020.

The Board of Directors has declared an interim dividend of HK6.0 cents per share, staying at the same level as 2020.

Mr. Edward Cheng, Deputy Chairman and Chief Executive of Wing Tai Properties Limited, said, "Throughout the first half of 2021, the global and Hong Kong economy continued to suffer uncertainties and challenges under COVID-19 pandemic, albeit the roll out of mass vaccination programmes. Under a low interest rate and supply shortage environment, demand from first-time local home buyers remained the key driver for Hong Kong's residential property market. Capitalising on the solid demand, the Group continued to sell steadily the remaining units of our three "Upper Gold Coast" series. We obtained the Occupation Permit for OMA OMA in March and are working diligently to obtain the Certificate of Compliance in the fourth quarter. In June, we won the tender for a residential site adjacent to Fanling Golf Course. We believe this district will benefit from the Government's efforts in further developing the Northern District. Building on the success of our "Upper Gold Coast" series, we have placed a solid footing in the "Affordable Luxury" market segment, and shall take on the same approach to design and develop this site.

For office leasing in Hong Kong and London, the market remained sluggish in the first half of the year given continued lockdown and corporate tenants' downsizing/relocation for cost savings. The Group suffered from a gradual decline in occupancy and rental rates, which resulted in decreasing leasing income and a downward revaluation of our office properties during the period.

In the face of the pandemic, the Group remained vigilant and maintained a sharp focus on our business performance and cash flow. I want to take this opportunity to thank all our loyal staff, in particular our frontline workforce, who have stayed on their duties with dedication and professionalism."

BUSINESS REVIEW

Property Development

The property development segment revenue excluding inter-segment sales was HK$160 million in the first half of 2021, compared with HK$1,591 million in 2020. Excluding fair value changes in investment properties and financial instruments including joint ventures (2021 gain was HK$37 million; 2020 loss was HK$51 million) and the HK$472 million one-off valuation gain, segment result was breakeven in 2021, compared with profit of HK$138 million in 2020, mainly due to less property sales handed over to buyers.

Regarding the Group's wholly-owned projects, The Carmel, a low-density residential site in Siu Sau, Tai Lam, Tuen Mun, has sold and handed over around 2% (in terms of number) of the residential units during the first half of 2021, mainly house units and special units, with related revenue recognised in the period. Cumulatively, as at 30 June 2021, around 99% (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 pre-sold around 1% (in terms of number) of the residential units in the first half of 2021. Cumulatively, as at 30 June 2021, around 87% (in terms of number) of the residential units were pre-sold.

The Group has held Le Cap and La Vetta, Kau To, Shatin, low-density residential projects, for leasing after distributions of unsold units to shareholders in 2020 and 2021 respectively. For Le Cap, the Group has approximately 36,000 square feet saleable area for 16 residential units including houses and apartments, and 22 car parking spaces. For La Vetta, the Group has approximately 72,000 square feet saleable area for 34 residential units including houses and apartments, and 48 car parking spaces. As at 30 June 2021, more than 90% and around 60% of the residential units (in terms of number) of Le Cap and La Vetta were leased respectively.

For majority-owned project, the Group possesses a 70% interest in OMA by the Sea, a medium-density residential site adjacent to The Carmel in Siu Sau, Tai Lam, Tuen Mun. The superstructure work has commenced and the project is scheduled to complete in 2022. During the first half of 2021, around 11% (in terms of number) of the residential units were pre-sold. Cumulatively, as at 30 June 2021, around 85% (in terms of number) of the residential units were pre-sold.

In June 2021, the Group won a government tender for a medium-density residential site located at the junction of Fan Kam Road and Castle Peak Road – Kwu Tung, Fanling, New Territories, for a consideration of HK$2.6 billion. The Group has a 85% interest and the site is in possession in July 2021. The site is adjacent to Fanling Golf Course and is within a 10-minute walk to Sheung Shui MTR station, with a gross floor area of approximately 284,170 square feet. The Group is the lead project manager, and lead sales and marketing manager for this project.

Regarding joint venture project, the Group has a 50% interest in a commercial complex site in Central, through the tender for Site C of the Gage Street/Graham Street project as put up by the Urban Renewal Authority. Advantageously located in the heart of the bustling Central financial hub, the site provides a gross floor area of up to 433,500 square feet to 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 Group is the lead project manager and lead leasing manager for this project. The foundation work for the project is in progress.

Property Investment and Management

The property investment and management segment revenue excluding inter-segment sales reduced to HK$284 million in the first half of 2021, compared with HK$312 million in 2020. Excluding fair value changes in investment properties and financial instruments, including joint ventures (2021 was fair value loss of HK$393 million; 2020 was fair value loss of HK$363 million) and one-off items, segment profit before taxation was HK$172 million, compared with HK$209 million in 2020. The decrease was mainly attributable to lower leasing income due to the pandemic.

As at 30 June 2021, the Group's portfolio of investment properties, mostly Grade A office buildings, has a total area of approximately 1,919,000 square feet with an aggregate attributable fair market valuation of around HK$20,000 million. The portfolio encompasses 1,525,000 square feet in Hong Kong, 328,000 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 84% as at 30 June 2021. Meanwhile, Shui Hing Centre, an industrial building located in Kowloon Bay, achieved an occupancy of approximately 85%. The building has obtained a waiver for revitalization in November 2019 and the Town Planning Board approval for redevelopment in April 2021.

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 30 June 2021, the above three properties achieved an average occupancy of approximately 97%. In April 2021, the Group completed the acquisition of a 21% interest in 66 Shoe Lane, a Grade A office building in a prime business hub on the western edge of the City of London. Together with the Group's investments in other three joint venture 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, the above four joint venture properties achieved an average occupancy of approximately 89% as at 30 June 2021.

In China, the Group has 33 residential units at Central Park, Beijing with a gross floor area of approximately 6,200 square metre. As at 30 June 2021, all units were leased.

Hospitality Investment and Management
The hospitality investment and management segment revenue was HK$27 million in the first half of 2021 compared with HK$28 million in 2020. Excluding fair value changes in investment properties, including joint ventures (2021 has no fair value change; 2020 was fair value loss of HK$171 million), segment loss before taxation was HK$20 million in 2021, compared with loss of HK$24 million in 2020.

The wholly-owned Lanson Place Causeway Bay hotel in Hong Kong and 50% owned Lanson Place Bukit Ceylon in Kuala Lumpur have continually suffered from the pandemic, given travel restrictions and quarantine measures are still in place, resulted in low occupancy and average room rates in the first half of 2021.

Lanson Place Waterfront Suites, our wholly-owned prime harbour-front furnished residence in Sai Wan Ho, was held for leasing. The occupancy remains stable during the pandemic.

Others
This segment represents investing activities and central management and administrative expenses. Segment revenue was HK$27 million in the first half of 2021, compared with HK$26 million in 2020. Segment loss before taxation (including fair value changes) was HK$24 million in the first half of 2021 compared with a segment loss of HK$150 million in 2020, mainly due to fair value changes in financial instruments (2021 was fair value loss of HK$27 million; 2020 was fair value loss of HK$188 million). Fair value loss of HK$188 million in 2020 was mainly attributable to the fair value loss of HK$117 million from the Group's investments in Singapore REITs, which are listed on the Singapore Exchange. Excluding fair value changes in financial instruments, segment profit before taxation was HK$3 million in 2021, a decrease of HK$35 million compared with HK$38 million in 2020 due to a decrease in bank interest income during the period.

PROSPECTS

Stepping into the second half of 2021, uncertainties from the new wave of pandemic variants spread and continued Sino-US tensions have dragged the pace of economic recovery in the PRC and Hong Kong.

We believe the strong demand from first-time local home buyers amid a low interest rate environment and supply shortage will continue to support our sales of the remaining units of the "Upper Gold Coast" series. We target to handover all pre-sold units of OMA OMA to buyers right after the issuance of the Certificate of Compliance, estimated to start in the fourth quarter. Related revenue and profit will be recognised upon completion of such handover.

We will continue our focus to recover occupancy rate and rental income of our commercial and hospitality properties, which we have already seen some signs of recovery in leasing activities and occupancy levels in the third quarter, albeit at a slow pace. However, the uncertain business outlook in the near term may still affect the valuation of our investment properties towards the end of 2021.

The Group is comfortably backed with a healthy balance sheet, a diversified asset portfolio offering balanced sources of income and solid relationships with various banks. This would allow us to stay focused on our long term business strategic goals, riding the wave of market volatility while maximising our investment opportunities when they arise.

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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, Singapore, Kuala Lumpur, Manila (2022) and Melbourne (2023). 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 2021

	Unaudited Six months ended 30 June 2021 HK$'M	2020 HK$'M
Revenue	496.8	1,956.5
Cost of sales	(162.7)	(1,333.7)
Gross profit	334.1	622.8
Other gains, net	476.2	4.1
Selling and distribution costs	(25.9)	(109.6)
Administrative expenses	(159.4)	(169.0)
Change in fair value of		
– investment properties	(494.5)	(434.3)
– financial instruments	18.4	(248.4)
	(476.1)	(682.7)
Profit/(loss) from operations	148.9	(334.4)
Finance costs	(59.1)	(46.4)
Finance income	7.7	27.7
Share of results of joint ventures	146.7	(60.6)
Share of results of associates	0.8	2.3
Profit/(loss) before taxation	245.0	(411.4)
Taxation	(25.4)	(46.5)
Profit/(loss) for the period	219.6	(457.9)
Profit/(loss) for the period attributable to:		
Shareholders of the Company	188.2	(485.7)
Holders of perpetual capital securities	32.7	31.5
Non-controlling interests	(1.3)	(3.7)
	219.6	(457.9)
Earnings/(loss) per share attributable to shareholders of the Company		
– Basic	HK$0.14	(HK$0.36)
– Diluted	HK$0.14	(HK$0.36)

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2021

	Unaudited 30 June 2021 HK$'M	Audited 31 December 2020 HK$'M
ASSETS AND LIABILITIES		
Non-current assets		
Investment properties	21,816.8	20,375.6
Other properties, plant and equipment	72.4	82.3
Investments in joint ventures	1,459.6	1,365.3
Loans to joint ventures	4,098.3	3,868.3
Investments in associates	24.3	23.3
Loans to associates	22.4	22.4
Financial investments at amortised cost	508.6	293.3
Financial investments at fair value through profit or loss	586.0	537.8
Other non-current assets	972.8	1,500.7
Deferred tax assets	35.6	31.3
Derivative financial instruments	58.5	63.1
	29,655.3	28,163.4
Current assets		
Properties for sale	4,551.0	4,243.8
Trade and other receivables, deposits and prepayments	386.4	1,711.6
Financial investments at amortised cost	237.1	475.5
Financial investments at fair value through profit or loss	6.1	75.3
Other current assets	690.1	5.3
Derivative financial instruments	1.7	0.7
Sales proceeds held in stakeholders' accounts	1,000.8	1,375.1
Tax recoverable	0.4	5.0
Bank balances and cash	1,538.8	1,190.1
	8,412.4	9,082.4
Current liabilities		
Trade and other payables and accruals	5,194.6	4,655.5
Derivative financial instruments	25.9	32.6
Tax payable	30.6	11.9
Bank and other borrowings	1,395.5	725.9
	6,646.6	5,425.9

CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

As at 30 June 2021

	Unaudited 30 June 2021 HK$'M	Audited 31 December 2020 HK$'M
Non-current liabilities		
Bank and other borrowings	3,338.0	3,653.7
Other long-term liability	30.3	48.4
Derivative financial instruments	116.2	110.2
Deferred tax liabilities	373.6	366.6
	3,858.1	4,178.9
NET ASSETS	27,563.0	27,641.0
EQUITY		
Shareholders' funds		
Share capital	677.4	677.3
Reserves	25,372.1	25,448.3
	26,049.5	26,125.6
Perpetual capital securities	1,512.7	1,513.3
Non-controlling interests	0.8	2.1
TOTAL EQUITY	27,563.0	27,641.0

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