

Wing Tai Properties Announces 2015 Interim Results

Strong Increase in Recurring Rental Income Backs Further Diversification of Asset Portfolio to Drive Momentum and Future Growth

26 August 2015, 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 2015.

In the first half of 2015, the Group’s revenue was HK\$540 million compared with HK\$1,317 million in the same period of 2014. Consolidated profit attributable to equity holders was HK\$469 million compared with HK\$1,601 million in the corresponding period last year. The decrease in revenue and profit was mainly attributable to fewer property development sales as well as a lower fair value gain on investment properties and financial instruments during the period under review.

The Board of Directors proposed to declare an interim dividend of HK4.2 cents per share (1H 2014: HK4.2 cents), or a total interim dividend payout of around HK\$56.3 million (1H 2014: HK\$56.2 million).

Mr. Edward Cheng, Deputy Chairman and Chief Executive of Wing Tai Properties Limited, said, “Capitalising on our well-maintained portfolio of residential, commercial and hospitality assets, Wing Tai has continued to achieve satisfactory results and growth, staying resilient in the midst of a competitive market and challenging operating environment. While sale of our completed residential units for the first half of 2015 was relatively lower than last period, our property investment segment remained robust and delivered healthy growth in recurring income.”

BUSINESS REVIEW

Property Development

In the first six months of 2015, revenue and profit before taxation generated from the property development segment was HK\$115 million and HK\$80 million, respectively.

For Wing Tai's wholly-owned projects, around 6% and 3% of the residential units of The Warren and The Pierre were sold respectively during the period under review. Foundation work and site formation work have commenced at the low-density residential site in Siu Sau, Castle Peak Road-Tai Lam, in August, and the project is scheduled for completion by 2019. Moreover, foundation work for the prime harbour-front residential site located in Shau Kei Wan also kicked off in June, and the project is scheduled for completion in 2018.

Among the joint venture projects, Homantin Hillside in Hung Hom, the residential project in which the Group has a 50% interest, attracted favourable market attentions and response from both end-users and investors. In the first half of 2015, around 10% of the residential units were pre-sold during sales launch in June 2015. Cumulatively, as at 30 June 2015, around 14% of the residential units were pre-sold.

Wing Tai also has a 35% interest in each of two low-density residential projects in Kau To, Shatin. Foundation works are in progress, and the projects are scheduled for completion in 2017.

Property Investment and Management

During the period under review, revenue and profit before taxation generated from the property investment and management segment was HK\$342 million and HK\$503 million, respectively. Excluding fair value changes of investment properties and financial instruments, segment profit before taxation stood at HK\$217 million, reflecting a continued growth in the rental rate of the Group's investment properties and savings in finance costs due to bank loans repayment in the second half of 2014.

As at 30 June 2015, Wing Tai'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 HK\$17,804 million.

In Hong Kong, the Group's flagship property in Kowloon East – Landmark East – achieved an occupancy of approximately 97% as at 30 June 2015. In the first six months of the year, around 7% of its leases were renewed with an average rental upward reversion of approximately 14%.

W Square, located at Hennessy Road in Wan Chai, achieved an occupancy of approximately 94% as at 30 June 2015. Around 14% of its leases were renewed with an average rental upward reversion of approximately 8% during the period under review.

Additionally, the two industrial buildings of Winner Godown Building in Tsuen Wan and Shui Hing Centre in Kowloon Bay also achieved nearly full occupancy as at 30 June 2015. In the first half of 2015, around 10% of its leases were renewed with an average rental upward reversion of approximately 32%.

In the United Kingdom, on top of the two commercial properties located at Savile Row/ Vigo Street as well as Brook Street, respectively, in West End, London, Wing Tai acquired further a 6-storey commercial property located at 35 Berkeley Square, West End, in August 2015. The property offers a net internal area of approximately 7,900 square feet of office space. Furthermore, in the same month, through a joint venture with an independent third party, the Group acquired a 25% interest in a 12-storey commercial property located at 10 Fleet Place, the City. The property has a net internal area of approximately 186,000 square feet of Grade A office and retail space.

At the date this interim announcement is made, the two properties have achieved full occupancy. Completion of the acquisitions will be in September 2015.

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

Hospitality Investment and Management

During the period under review, revenue generated from the hospitality investment and management segment was HK\$71 million. Segment loss before taxation was HK\$21 million. Excluding fair value changes of investment properties and financial instruments, segment profit before taxation stood at HK\$10 million.

In the first half of 2015, while the performance of Lanson Place Hotel in Hong Kong and Lanson Place Bukit Ceylon Serviced Residences in Kuala Lumpur were impacted by a range of external factors, Lanson Place Jinlin Tiandi Serviced Residences in Shanghai and Lanson Place Central Park Serviced Residences in Beijing continued to maintain satisfactory occupancy rates and growth in average rental rates.

In July 2015, the Group signed a 10-year management contract for the management of One Sunland Serviced Suites in Waigaoqiao Free Trade Zone, Pudong, Shanghai. The project, which denotes the 5th property in Shanghai under Lanson Place management, is targeted to open around the second quarter of 2016.

PROSPECTS

Looking ahead, notwithstanding a challenging market environment, Wing Tai will continue to focus on its project design and execution for the uncompleted residential projects in Homantin Hillside, Kau To, Siu Sau and Shau Kei Wan. The Group will remain proactive in identifying the right market windows to pre-sell Homantin Hillside and launch the sale of Upper Riverside in Shanghai, as well as to continue to sell the remaining units of its completed developments.

Wing Tai is confident of maintaining the growth in leasing performance of its quality commercial properties in the second half of the year, based on the high occupancy and good progress in securing upward rental reversion for a considerable number of leases to be expired. The latest acquisitions of the two London office properties will also contribute additional recurring income in the last quarter.

The Group is also on the lookout for opportunities to extend the Lanson Place presence through third-party management contracts to gateway cities, and will work on the pre-opening of the 4th and the 5th serviced apartments in Shanghai scheduled for operations in the first half of 2016.

On the back of steady public land tender programme and private tenders, coupled with the Group's healthy financial position and strong partner networks, Wing Tai is well positioned to strategically expand its residential, commercial and hospitality investment portfolio to build a scalable residential pipelines and growing recurring income base.

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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, 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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CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2015

	Unaudited	
	Six months ended 30 June	
	2015	2014
	HK\$'M	HK\$'M
Revenue	539.8	1,317.0
Cost of sales	(157.4)	(742.4)
Gross profit	382.4	574.6
Other gains, net	2.1	7.8
Selling and distribution costs	(24.7)	(54.4)
Administrative expenses	(134.2)	(127.2)
Change in fair value of investment properties and financial instruments	264.5	1,333.9
Profit from operations	490.1	1,734.7
Finance costs	(53.9)	(70.7)
Finance income	8.0	5.8
Share of results of joint ventures	75.2	1.7
Share of results of associates	1.0	(0.2)
Profit before taxation	520.4	1,671.3
Taxation	(51.7)	(70.4)
Profit for the period	468.7	1,600.9
Attributable to:		
Equity holders of the Company	468.8	1,600.9
Non-controlling interests	(0.1)	-
	468.7	1,600.9
Earnings per share attributable to equity holders of the Company		
- Basic	HK\$0.35	HK\$1.20
- Diluted	HK\$0.35	HK\$1.19

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2015

	Unaudited 30 June 2015 HK\$'M	Audited 31 December 2014 HK\$'M
ASSETS AND LIABILITIES		
Non-current assets		
Investment properties	20,843.6	20,586.1
Other properties, plant and equipment	57.7	58.4
Investments in joint ventures	517.2	482.3
Loans to joint ventures	1,980.0	1,905.8
Investments in associates	97.5	100.0
Loans to associates	21.8	21.8
Deposits and loan receivables	17.7	17.5
Other financial assets	419.3	487.0
Deferred tax assets	2.0	4.5
Derivative financial instruments	2.2	-
	23,959.0	23,663.4
Current assets		
Properties for sale	1,269.2	1,322.2
Trade and other receivables, deposits and prepayments	364.1	777.0
Other financial assets	-	38.9
Derivative financial instruments	-	0.4
Sales proceeds held in stakeholders' accounts	1.1	79.1
Tax recoverable	12.2	40.7
Restricted bank deposits	14.6	13.5
Bank balances and cash	2,158.5	1,592.6
	3,819.7	3,864.4
Current liabilities		
Trade and other payables and accruals	367.7	404.4
Derivative financial instruments	18.0	18.9
Tax payable	58.2	46.2
Bank and other borrowings	64.2	63.8
	508.1	533.3
Net current assets	3,311.6	3,331.1
Total assets less current liabilities	27,270.6	26,994.5

CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

As at 30 June 2015

	Unaudited 30 June 2015 HK\$'M	Audited 31 December 2014 HK\$'M
Non-current liabilities		
Bank and other borrowings	3,782.9	3,815.0
Other long-term liability	81.4	91.5
Derivative financial instruments	175.7	136.6
Deferred tax liabilities	297.3	271.2
	<u>4,337.3</u>	<u>4,314.3</u>
NET ASSETS	<u>23,933.3</u>	<u>22,680.2</u>
EQUITY		
Equity attributable to equity holders of the Company		
Share capital	670.6	669.3
Reserves	22,261.6	22,009.7
	<u>22,932.2</u>	<u>22,679.0</u>
Non-controlling interests	1.1	1.2
TOTAL EQUITY	<u>22,933.3</u>	<u>22,680.2</u>