Wing Tai Properties Announces 2016 Interim Results

Focus on Strengthening Three Strategic Pillars of Business Reaps Solid Results
Steady Growth in Recurring Rental Income
Investment Portfolio in Hong Kong and London Further Expanded

30 August 2016, 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 2016.

In the first half of 2016, the Group's revenue was HK$468 million compared with HK$540 million in the same period of 2015. Consolidated profit attributable to equity holders was HK$300 million, a decrease of HK$169 million compared with HK$469 million in the corresponding period last year. The decrease was mainly attributable to a lower fair value gain on investment properties and financial instruments of HK$162 million in the first half of 2016 compared with HK$265 million in 2015 as well as lower property development profits.

The Board of Directors proposed to declare an interim dividend of HK4.2 cents per share (1H 2015: HK4.2 cents), or a total interim dividend payout of around HK$56.4 million (1H 2015: HK$56.3 million).

Mr. Edward Cheng, Deputy Chairman and Chief Executive of Wing Tai Properties Limited, said, "The solid results we achieved for the first half of 2016 underline our focus on strengthening the three strategic pillars of our business of property development, property investment and management, and hospitality investment and management with the aim of building and growing a balanced portfolio to maximise our total returns. Taking into account the inherently cyclical nature of the property development market, we endeavor to enhance our recurring income base leveraging our premier investment properties in Hong Kong and other key gateway cities in the region and beyond."

Mr. Cheng added, "Maintaining sound financials through a strong balance sheet has always been the cornerstone of our business strategy. We remain committed to prudently exercising our financial management to replenish our land bank and diversify our portfolio of residential, commercial and hospitality assets for long-term sustainable success."

BUSINESS REVIEW

Property Development

For the six months ended 30 June 2016, the property development segment revenue was HK$26 million compared with HK$115 million over the same period in 2015. Segment loss before taxation was HK$32 million, a decrease of HK$112 million compared with a segment profit of HK$80 million in 2015, mainly attributable to lesser property sales from wholly-owned projects and joint ventures recognised to profit and loss account in the first half of 2016 than in 2015.

For Wing Tai's wholly-owned projects, as at 30 June 2016, around 90% of the residential units of The Warren and around 95% of the residential units of The Pierre were sold, cumulatively.

Among the joint venture projects, Homantin Hillside in Hung Hom, the residential project in which the Group has a 50% interest, sold around 9% of the residential units in the first half of 2016. Cumulatively, as at 30 June 2016, around 54% of the units were sold. In June 2016, Occupation Permit was received and the sold units are expected to be handed over to the buyers in the second half of 2016.

With regard to projects in the development pipeline, superstructure work has commenced for the prime harbour-front residential site located at Shau Kei Wan and the project is scheduled for completion in 2018. Foundation work and site formation work are also underway for the low-density residential site in Siu Sau, Castle Peak Road, Tuen Mun and the project is scheduled for completion by 2019. Moreover, ground investigation work for the medium-density residential site situated at So Kwun Wat Road, Tuen Mun was kicked off and the project is scheduled for completion in 2021. Superstructure work has also begun for the two low-density residential projects in Kau To, Shatin. The projects are scheduled for completion in 2017.

In June 2016, Wing Tai won a government tender for a medium-density residential site located at Castle Peak Road – Tai Lam, Tuen Mun with a gross floor area of approximately 294,000 square feet. The site, in which the Group has a 70% interest, was in possession in July 2016.

Property Investment and Management

During the period under review, revenue and profit before taxation generated from the property investment and management segment were HK$366 million and HK$415 million, respectively. Excluding fair value changes in investment properties and financial instruments, segment profit before taxation stood at HK$241 million in the first half of 2016, an increase of HK$24 million compared with HK$217 million in 2015 due to continued growth in rental rate.

As at 30 June 2016, Wing Tai's portfolio of investment properties, 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 around HK$18,500 million.

In Hong Kong, Landmark East, the Group's flagship property located in Kowloon East, achieved an occupancy of approximately 98% as at 30 June 2016. An average rental upward revision of approximately 33% was achieved for the leases renewed during the reporting period.

W Square, located at Hennessy Road in the heart of Wan Chai, achieved an occupancy of approximately 96% as at 30 June 2016.

Additionally, the Group's two industrial buildings of Winner Godown Building in Tsuen Wan and Shui Hing Centre in Kowloon Bay also achieved an average occupancy of approximately 83% as at 30 June 2016.

In the United Kingdom, the prime properties located at Savile Row/ Vigo Street of West End, Brook Street of West End and Fleet Place of the City all achieved full occupancy as at 30 June 2016. The property at Berkeley Square of West End achieved an occupancy of approximately 74%.

In January 2016, the Group acquired a 33% interest in a 6-storey commercial property located at Cavendish Square, West End. The property, which has a net internal area of approximately 11,000 square feet of Grade A office space, is currently vacant under refurbishment and expansion works which are scheduled for completion in early 2018.

For the mainland China market, in July 2016, the Group disposed of its entire 50% interest in Upper Riverside, a luxury apartment building located at Lujiazui of Pudong, Shanghai. The disposal was completed in August 2016 with an estimated gain on disposal of approximately HK$35 million.

Hospitality Investment and Management

In the first half of 2016, revenue and profit before taxation generated from the hospitality investment and management segment was HK$65 million and HK$8 million, respectively. Excluding fair value changes in investment properties and financial instruments, segment profit before taxation was HK$2 million compared with HK$10 million in 2015, a decrease of HK$8 million mainly due to lesser profit from hotel operation in Hong Kong.

Lanson Place Hotel in Hong Kong and Lanson Place Bukit Ceylon Serviced Residences in Kuala Lumpur both recorded stable occupancy. Average rental rates, however, were under pressure in line with the continued softening hotel market. Lanson Place Central Park Serviced Residences in Beijing ceased serviced apartment operation after the 8-year management contract expired in June 2016.

In February 2016, a 10-year management contract was signed to manage a serviced apartment project of 213 units at Two MacDonnell Road, Mid-Levels, Hong Kong. The management period commenced from 24 March 2016.

In July 2016, the contract for managing Lanson Place Jinlin Tiandi Serviced Residences in Puxi, Shanghai was renewed for another 7 years. This brings a total of 5 properties under Lanson Place management in Shanghai. In August 2016, an 8-year management contract was signed to manage serviced residences of 162 units situated in the main financial district of Luomashi, Chengdu. The project is targeted to open in the first half of 2017.

PROSPECTS

The Hong Kong economy remains challenging in view of the slowing China economy, and the drop in the inbound tourism as well as the weakening of the retail sales in Hong Kong. For the global economy, the Brexit further heightened the uncertainty for both United States and Europe. The interest rates in the United States might not be lifted as much or as quickly in 2016 as they were originally expected. This should lead the property market in Hong Kong to stabilise to a certain degree in the second half of the year.

Given the above, we will be vigilant in capturing the market opportunities in selling our developed products and acquiring strategic sites and properties for long term growth prospect. Amidst a very uncertain outlook in world economy and softening economy in Hong Kong, we are encouraged by the solid performance of our investment portfolio in Hong Kong and London which forms the foundation of our balance sheet.

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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 2016

	Unaudited Six months ended 30 June	
	2016	2015
	HK$'M	HK$'M
Revenue	468.0	539.8
Cost of sales	(92.0)	(157.4)
Gross profit	376.0	382.4
Other gains, net	10.2	2.1
Selling and distribution costs	(7.5)	(24.7)
Administrative expenses	(142.6)	(134.2)
Change in fair value of investment properties and financial instruments	162.1	264.5
Profit from operations	398.2	490.1
Finance costs	(44.0)	(53.9)
Finance income	10.4	8.0
Share of results of joint ventures	(6.9)	75.2
Share of results of associates	0.4	1.0
Profit before taxation	358.1	520.4
Taxation	(57.9)	(51.7)
Profit for the period	300.2	468.7
Attributable to:		
Equity holders of the Company	300.2	468.8
Non-controlling interests	-	(0.1)
	300.2	468.7
Earnings per share attributable to equity holders of the Company		
- Basic	HK$0.22	HK$0.35
- Diluted	HK$0.22	HK$0.35

CONDENSED CONSOLIDATED BALANCE SHEET
As at 30 June 2016

	Unaudited 30 June 2016 HK$'M	Audited 31 December 2015 HK$'M
ASSETS AND LIABILITIES		
Non-current assets		
Investment properties	21,552.9	21,448.8
Other properties, plant and equipment	54.5	55.9
Investments in joint ventures	468.2	490.0
Loans to joint ventures	1,533.1	1,649.7
Investments in associates	5.8	5.1
Loans to associates	14.8	14.8
Deposits and loan receivables	13.8	15.1
Other financial assets	430.1	358.3
Deferred tax assets	12.5	6.5
Derivative financial instruments	9.7	3.4
	24,095.4	24,047.6
Current assets		
Properties for sale	2,435.4	1,295.6
Trade and other receivables, deposits and prepayments	979.0	776.3
Derivative financial instruments	52.4	11.2
Tax recoverable	0.8	1.4
Restricted bank deposits	-	14.6
Bank balances and cash	672.0	2,074.2
	4,139.6	4,173.3
Non-current assets classified as assets held for sale	439.2	-
	4,578.8	4,173.3
Current liabilities		
Trade and other payables and accruals	507.4	435.7
Derivative financial instruments	16.9	19.0
Tax payable	63.2	48.6
Bank and other borrowings	492.4	439.6
	1,079.9	942.9

CONDENSED CONSOLIDATED BALANCE SHEET (Continued)
As at 30 June 2016

	Unaudited 30 June 2016 HK$'M	Audited 31 December 2015 HK$'M
Non-current liabilities		
Bank and other borrowings	3,433.0	3,326.7
Other long-term liability	82.9	73.7
Derivative financial instruments	180.4	239.5
Deferred tax liabilities	320.4	290.8
	4,016.7	3,930.7
NET ASSETS	23,577.6	23,347.3
EQUITY		
Equity attributable to equity holders of the Company		
Share capital	671.7	670.6
Reserves	22,904.9	22,675.7
	23,576.6	23,346.3
Non-controlling interests	1.0	1.0
TOTAL EQUITY	23,577.6	23,347.3

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