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## **WING TAI PROPERTIES LIMITED**

永泰地產有限公司

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 369)**

### **ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2014, INTERIM DIVIDEND AND RECORD DATE**

#### **CHAIRMAN'S STATEMENT**

Dear Shareholders,

We are pleased to report solid results in the first half of 2014, riding on our well-established and balanced asset portfolio. Our prime investment properties continued to grow in terms of recurring income, rental reversion and asset value. The Group has recognised profit of the pre-sale units of The Pierre during the period. As a result, the Group achieved consolidated net profit of HK\$1,601 million, a 55% increase from the previous period.

The government's policy to boost land supply gave us more opportunities to replenish our land bank and to build a sustainable development pipeline of quality projects with long-term growth potential. In April 2014, we won a government tender for a prime residential site in Shau Kei Wan with a gross floor area of approximately 46,000 square feet. Located at the harbour-front with an unobstructed seaview and easy access to public transportation, the site is valuable and unique in the urban area of Hong Kong Island.

The handover of The Warren units sold was well-received, which once again attested to our commitment towards delivering quality and excellence to buyers. The Pierre's Occupation Permit was obtained in May 2014, and handover to buyers will be in the fourth quarter of 2014. The Hong Kong residential property market showed signs of recovery with substantial primary sales transactions during the period. The Group has been actively preparing for pre-sales of two luxury projects, namely Homantin Hillside in Hong Kong, and Upper Riverside in Shanghai.

All our office and industrial properties achieved nearly full occupancy in the first half of 2014. We have seen active transactions hitting record highs in Kowloon East, as well as more large and multi-national corporations moving their corporate offices to this new CBD. All these trends benefit our investment properties, namely Landmark East and Shui Hing Centre. Our Grade-A office Landmark East not only recorded increasing spot rent, but also achieved good positive rental reversions with a high renewal success rate from our quality tenant base. On our hospitality business front, Lanson Place continued to record steady occupancy and rental rates, and continued to benefit from the well-recognised brand reputation underscored by industry awards.

In August 2014, the Group issued, through private placement, its first seven-year unrated fixed-rate bond of HK\$100 million at an attractive coupon rate, reflecting continued market recognition and confidence in our financial position. The Group will endeavour to grow its diversified and risk-resilient portfolio on a robust capital structure, and to deliver sustainable growth and create more value for our shareholders in a dynamic market environment. I would like to conclude by conveying my gratitude to our shareholders, employees and business partners for their unwavering support.

**Cheng Wai Chee, Christopher**  
Chairman

Hong Kong, 26 August 2014

## INTERIM RESULTS

The Board of Directors (the “Directors”) of Wing Tai Properties Limited (the “Company”) presents the unaudited condensed consolidated interim financial information (“Interim Financial Information”) of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2014.

### CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2014

		Unaudited	
		Six months ended 30 June	2013
	Note	2014	2013
		HK\$'M	HK\$'M
			(Re-presented)
<b>Continuing operations</b>			
<b>Revenue</b>	3	1,317.0	346.0
Cost of sales		<u>(742.4)</u>	<u>(71.6)</u>
<b>Gross profit</b>		574.6	274.4
Other (losses)/gains, net	4	(4.0)	115.3
Selling and distribution costs		(54.4)	(10.4)
Administrative expenses		(127.2)	(111.5)
Change in fair value of investment properties		<u>1,345.7</u>	<u>826.1</u>
<b>Profit from operations</b>	5	1,734.7	1,093.9
Finance costs		(70.7)	(78.3)
Finance income		5.8	22.5
Share of results of joint ventures		1.7	58.5
Share of results of associates		<u>(0.2)</u>	<u>1.0</u>
<b>Profit before taxation from continuing operations</b>		1,671.3	1,097.6
Taxation	6	<u>(70.4)</u>	<u>(38.0)</u>
<b>Profit for the period from continuing operations</b>		1,600.9	1,059.6
<b>Discontinued operations</b>			
Loss for the period from discontinued operations	12	<u>-</u>	<u>(23.6)</u>
<b>Profit for the period</b>		<u>1,600.9</u>	<u>1,036.0</u>
<b>Attributable to:</b>			
Equity holders of the Company			
– From continuing operations		1,600.9	1,059.4
– From discontinued operations		<u>-</u>	<u>(23.6)</u>
		1,600.9	1,035.8
Non-controlling interests			
– From continuing operations		<u>-</u>	<u>0.2</u>
		<u>1,600.9</u>	<u>1,036.0</u>

## CONDENSED CONSOLIDATED INCOME STATEMENT (Continued)

For the six months ended 30 June 2014

	Note	Unaudited Six months ended 30 June 2014	2013 (Re-presented)
<b>Earnings per share attributable to equity holders of the Company</b>	7		
Basic earnings per share			
– From continuing operations		HK\$1.20	HK\$0.79
– From discontinued operations		-	(HK\$0.01)
		<u>HK\$1.20</u>	<u>HK\$0.78</u>
Diluted earnings per share			
– From continuing operations		HK\$1.19	HK\$0.79
– From discontinued operations		-	(HK\$0.02)
		<u>HK\$1.19</u>	<u>HK\$0.77</u>
<b>Interim dividend</b> (expressed in HK\$'M)	8	<u>56.2</u>	<u>56.1</u>

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2014

	Unaudited Six months ended 30 June 2014 HK\$'M	2013 HK\$'M (Re-presented)
<b>Profit for the period</b>	<u>1,600.9</u>	<u>1,036.0</u>
<b>Other comprehensive income</b>		
<b>Items that may be reclassified subsequently to profit or loss:</b>		
Exchange differences on translation of foreign operations	(5.0)	(14.0)
Net fair value gain/(loss) arising from revaluation of available-for-sale financial assets	75.9	(41.0)
Net (loss)/gain on cash flow hedge		
– Fair value (losses)/gains	(20.3)	25.2
– Realised upon settlement	19.4	23.5
Net loss on net investment hedge	<u>(3.0)</u>	<u>(2.9)</u>
<b>Other comprehensive income for the period, net of tax</b>	<u>67.0</u>	<u>(9.2)</u>
<b>Total comprehensive income for the period</b>	<u><u>1,667.9</u></u>	<u><u>1,026.8</u></u>
<b>Attributable to:</b>		
Equity holders of the Company	1,667.9	1,026.6
Non-controlling interests	<u>-</u>	<u>0.2</u>
<b>Total comprehensive income for the period</b>	<u><u>1,667.9</u></u>	<u><u>1,026.8</u></u>
<b>Total comprehensive income attributable to equity holders of the Company:</b>		
– From continuing operations	1,667.9	1,050.2
– From discontinued operations	<u>-</u>	<u>(23.6)</u>
	<u><u>1,667.9</u></u>	<u><u>1,026.6</u></u>

# CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2014

	Note	Unaudited 30 June 2014 HK\$'M	Audited 31 December 2013 HK\$'M
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Investment properties		20,364.4	19,002.7
Other properties, plant and equipment		61.4	68.0
Investments in joint ventures		482.3	511.5
Loans to joint ventures		1,828.5	1,726.7
Investments in associates		98.3	100.5
Loans to associates		24.7	24.7
Deposits and loan receivables		20.8	20.1
Other financial assets		475.4	401.6
Deferred tax assets		6.0	9.4
Derivative financial instruments		23.0	30.2
		<u>23,384.8</u>	<u>21,895.4</u>
<b>Current assets</b>			
Properties for sale	9	1,331.6	1,425.0
Trade and other receivables, deposits and prepayments	10	2,316.5	1,885.9
Other financial assets		39.8	51.3
Sales proceeds held in stakeholders' accounts		111.9	192.4
Tax recoverable		0.3	2.3
Restricted bank deposits		10.0	10.6
Bank balances and cash		585.4	1,242.2
		<u>4,395.5</u>	<u>4,809.7</u>
<b>Current liabilities</b>			
Trade and other payables and accruals	11	488.1	684.9
Derivative financial instruments		25.5	39.5
Tax payable		110.5	71.7
Bank and other borrowings		1,209.0	1,739.7
		<u>1,833.1</u>	<u>2,535.8</u>
<b>Net current assets</b>		<u>2,562.4</u>	<u>2,273.9</u>
<b>Total assets less current liabilities</b>		<u>25,947.2</u>	<u>24,169.3</u>

## CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

As at 30 June 2014

	Unaudited 30 June 2014 HK\$'M	Audited 31 December 2013 HK\$'M
<b>Non-current liabilities</b>		
Bank and other borrowings	3,146.5	2,947.1
Other long-term liability	65.3	58.9
Derivative financial instruments	54.9	54.2
Deferred tax liabilities	237.3	213.9
	<u>3,504.0</u>	<u>3,274.1</u>
<b>NET ASSETS</b>	<u>22,443.2</u>	<u>20,895.2</u>
<b>EQUITY</b>		
<b>Equity attributable to equity holders of the Company</b>		
Share capital	669.3	667.6
Reserves	21,772.4	20,226.1
	<u>22,441.7</u>	<u>20,893.7</u>
<b>Non-controlling interests</b>	<u>1.5</u>	<u>1.5</u>
<b>TOTAL EQUITY</b>	<u>22,443.2</u>	<u>20,895.2</u>

## NOTES:

### 1. Basis of preparation

This Interim Financial Information for the six months ended 30 June 2014 has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It should be read in conjunction with the Company's annual financial statements for the year ended 31 December 2013.

In 2013, the Group ceased its garment manufacturing operations. The ceased business was presented as discontinued operations and certain comparatives had been re-presented according to Hong Kong Financial Reporting Standard 5 "Non-current Assets Held for Sale and Discontinued Operations" to conform with current presentation. Details of which are disclosed in Note 12 to the Interim Financial Information.

The Interim Financial Information is presented in million of Hong Kong dollars (HK\$'M).

### 2. Significant accounting policies

The accounting policies adopted in the preparation of the Interim Financial Information are consistent with those adopted and described in the Company's annual financial statements for the year ended 31 December 2013, except for the adoption of new standards, revised standards, amendments and improvements to standards and interpretations of Hong Kong Financial Reporting Standards ("HKFRS") as of 1 January 2014, noted below.

#### **(a) New standards, revised standards, amendments and improvements to standards and interpretations of HKFRS effective for the current accounting period beginning on 1 January 2014 and relevant to the Group**

HKAS 32 (Amendment)	Offsetting financial assets and financial liabilities
HKAS 36 (Amendment)	Recoverable amount disclosure for non-financial assets
HKAS 39 (Amendment)	Financial instruments – recognition and measurement - novation of derivatives
HKFRS 10 (Amendment), HKFRS 12 (Amendment) and HKAS 27 (Amendment)	Investment entities
HK (IFRIC) – Int 21	Levies

The adoption of the new or revised standards, amendments and improvements to standards and interpretations of HKFRS stated above did not have any significant impact to the Group's Interim Financial Information in the current and prior periods.



## 2. Significant accounting policies (Continued)

### (b) New standards, revised standards, amendments and improvements to standards and interpretations of HKFRS that are not yet effective in 2014 and have not been early adopted by the Group

The Group has not early adopted the following new standards, revised standards, amendments and improvements to standards and interpretations of HKFRS that have been issued but are not yet effective for the period.

		Effective for accounting periods beginning on or after
HKFRS 7 (Amendment) & HKFRS 9 (Amendment)	Mandatory effective date of HKFRS 9 & transition disclosures	1 January 2015
HKFRS 9	Financial instruments	To be determined*
HKFRS 11	Accounting for acquisitions of interests in joint operation	1 January 2016
HKFRS 14	Regulatory deferral accounts	1 January 2016
HKAS 16 & HKAS 38	Clarification of acceptable methods of depreciation & amortisation	1 January 2016
HKFRS 15	Revenue from contracts with customers	1 January 2017

\* The original effective date of 1 January 2015 is removed and it will be set once the other phase of HKFRS 9 is completed and finalised.

The Group is in the process of making assessment of the impact of these new standards, revised standards, amendments and improvements to standards and interpretations of HKFRS and is not yet in a position to state whether they would have a significant impact on the Group's results and financial position.

## 3. Revenue and segment information

Revenue represents the net amounts received and receivable from third parties net of value added tax and discounts in connection with the following activities:

	Six months ended 30 June			
	Continuing operations		Discontinued operations	
	2014	2013	2014	2013
	HK\$'M	HK\$'M	HK\$'M	HK\$'M
	(Re-presented)		(Re-presented)	
Sale of properties and project management income	897.8	3.1	-	-
Rental and property management income	406.8	331.8	-	-
Dividend income from available-for-sale financial assets	12.4	11.1	-	-
Sale of garment products	-	-	-	80.9
	<u>1,317.0</u>	<u>346.0</u>	<u>-</u>	<u>80.9</u>

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the Executive Directors in order to allocate resources to the segment and to assess its performance.

### 3. Revenue and segment information (Continued)

Segment information are analysed on the basis of the Group's operating divisions. They are (i) Property Development, (ii) Property Investment and Management, (iii) Hospitality Investment and Management and (iv) Others. Others include Investing Activities and Corporate. In previous years, Investing Activities are disclosed as a separate operating segment. Considering that Investing Activities are not significant to the Group, it is combined with Corporate segment and presented as Others in 2014. Comparative figures for 2013 Investing Activities and Corporate segments have been re-presented.

Garment Manufacturing segment ceased its operations in 2013 and was presented as discontinued operations for the six months ended 30 June 2013.

	Continuing operations					Total HK\$'M
	Property development HK\$'M	Property investment and management HK\$'M	Hospitality investment and management HK\$'M	Others HK\$'M	Elimination HK\$'M	
<b>For the six months ended 30 June 2014</b>						
<b>REVENUE</b>						
External sales	897.8	332.8	74.0	12.4	-	1,317.0
Inter-segment sales	-	6.6	-	-	(6.6)	-
Total	897.8	339.4	74.0	12.4	(6.6)	1,317.0
<b>RESULTS</b>						
Profit/(loss) before change in fair value of investment properties and net fair value loss on derivative financial instruments	162.4	247.3	30.9	(46.6)	-	394.0
Change in fair value of investment properties	-	1,319.4	26.3	-	-	1,345.7
Net fair value loss on derivative financial instruments	-	(5.0)	-	-	-	(5.0)
Profit/(loss) from operations	162.4	1,561.7	57.2	(46.6)	-	1,734.7
Finance costs	(2.7)	(49.7)	(8.4)	(29.0)	19.1	(70.7)
Finance income	0.1	0.7	2.8	21.3	(19.1)	5.8
Share of results of joint ventures	10.5	(5.0)	(3.8)	-	-	1.7
Share of results of associates	0.4	-	(0.6)	-	-	(0.2)
Profit/(loss) before taxation	170.7	1,507.7	47.2	(54.3)	-	1,671.3
Taxation						(70.4)
Profit for the period						1,600.9
<b>Other items</b>						
Depreciation and amortisation	3.9	1.0	-	2.1	-	7.0
Loss/(gain) on disposal of other properties, plant and equipment	2.9	0.4	-	(0.3)	-	3.0
Loss on financial liabilities at fair value through profit or loss classified under other long-term liability	-	-	-	6.8	-	6.8

### 3. Revenue and segment information (Continued)

	Continuing operations					Total HK\$'M	Discontinued operations
	Property development HK\$'M	Property investment and management HK\$'M	Hospitality investment and management HK\$'M	Others HK\$'M	Elimination HK\$'M		Garment manufacturing HK\$'M
<b>For the six months ended 30 June 2013 (Re-presented)</b>							
<b>REVENUE</b>							
External sales	3.1	260.9	70.9	11.1	-	346.0	80.9
Inter-segment sales	-	7.8	-	-	(7.8)	-	-
<b>Total</b>	<b>3.1</b>	<b>268.7</b>	<b>70.9</b>	<b>11.1</b>	<b>(7.8)</b>	<b>346.0</b>	<b>80.9</b>
<b>RESULTS</b>							
Profit/(loss) before change in fair value of investment properties and net fair value gain on derivative financial instruments	(26.5)	224.8	29.8	21.0	-	249.1	(23.6)
Change in fair value of investment properties	-	798.8	27.3	-	-	826.1	-
Net fair value gain on derivative financial instruments	-	0.2	-	18.5	-	18.7	-
<b>Profit/(loss) from operations</b>	<b>(26.5)</b>	<b>1,023.8</b>	<b>57.1</b>	<b>39.5</b>	<b>-</b>	<b>1,093.9</b>	<b>(23.6)</b>
Finance costs	-	(34.6)	(8.7)	(35.0)	-	(78.3)	-
Finance income	15.3	0.6	4.7	1.9	-	22.5	-
Share of results of joint ventures	56.1	2.7	(0.3)	-	-	58.5	-
Share of results of associates	(1.9)	-	2.9	-	-	1.0	-
<b>Profit before taxation</b>	<b>43.0</b>	<b>992.5</b>	<b>55.7</b>	<b>6.4</b>	<b>-</b>	<b>1,097.6</b>	<b>(23.6)</b>
Taxation	-	-	-	-	-	(38.0)	-
<b>Profit for the period</b>						<b>1,059.6</b>	<b>(23.6)</b>
<b>Other items</b>							
Depreciation and amortisation	4.1	1.6	-	1.9	-	7.6	4.4
Gain on disposal of an associate	-	(29.5)	-	-	-	(29.5)	-
Gain on disposal of other properties, plant and equipment	-	(0.2)	-	-	-	(0.2)	(0.2)
Gain on financial liabilities at fair value through profit or loss classified under other long-term liability	-	-	-	(13.2)	-	(13.2)	-

### 3. Revenue and segment information (Continued)

The following is an analysis of the Group's revenue by geographical areas in which the customer is located, irrespective of the origin of the goods/services:

	Six months ended 30 June			
	Continuing operations		Discontinued operations	
	2014	2013	2014	2013
	HK\$'M	HK\$'M	HK\$'M	HK\$'M
	(Re-presented)		(Re-presented)	
Hong Kong	1,276.7	312.9	-	3.4
North America	-	-	-	61.5
United Kingdom	10.1	4.0	-	0.7
Others	30.2	29.1	-	15.3
	<u>1,317.0</u>	<u>346.0</u>	<u>-</u>	<u>80.9</u>

### 4. Other (losses)/gains, net

	Six months ended 30 June			
	Continuing operations		Discontinued operations	
	2014	2013	2014	2013
	HK\$'M	HK\$'M	HK\$'M	HK\$'M
	(Re-presented)		(Re-presented)	
Amortisation of interest income on held-to-maturity investments	0.9	5.8	-	-
Exchange losses, net	(2.9)	(1.6)	-	(0.1)
Gain on disposal of an associate	-	29.5	-	-
Gain on return of investment of an available-for-sale financial asset	-	46.1	-	-
(Loss)/gain on financial liabilities at fair value through profit or loss classified under other long-term liability	(6.8)	13.2	-	-
Net fair value (loss)/gain on derivative financial instruments	(5.0)	18.7	-	-
Compensation income arising from termination of a serviced residences operating agreement	8.1	-	-	-
Others	1.7	3.6	-	1.1
	<u>(4.0)</u>	<u>115.3</u>	<u>-</u>	<u>1.0</u>

## 5. Profit from operations

	Six months ended 30 June			
	Continuing operations		Discontinued operations	
	2014	2013	2014	2013
	HK\$'M	HK\$'M	HK\$'M	HK\$'M
		(Re-presented)		(Re-presented)
Profit from operations has been arrived at after charging/(crediting) the following:				
Share-based compensation expenses net of lapse of incentive shares	4.6	5.4	-	-
Staff costs including directors' remuneration	102.5	97.8	-	38.9
Amortisation of interest income on held-to-maturity investments	(0.9)	(5.8)	-	-
Amortisation of land use rights	-	0.1	-	-
Depreciation of other properties, plant and equipment	7.0	7.5	-	4.4
Direct operating expenses arising from investment properties generating rental income	73.3	58.8	-	-
Loss/(gain) on disposal of other properties, plant and equipment	3.0	(0.2)	-	(0.2)
Gain on disposal of an associate	-	(29.5)	-	-
Gain on return of investment of an available-for-sale financial asset	-	(46.1)	-	-
Loss/(gain) on financial liabilities at fair value through profit or loss classified under other long-term liability	6.8	(13.2)	-	-
Net fair value loss/(gain) on derivative financial instruments	5.0	(18.7)	-	-
Operating lease rental expenses in respect of land and buildings	<u>0.7</u>	<u>2.0</u>	<u>-</u>	<u>1.1</u>

## 6. Taxation

Hong Kong profits tax has been calculated at 16.5% (2013: 16.5%) of the estimated assessable profits for the period. Taxation on overseas profits has been calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the countries in which the Group operates.

## 6. Taxation (Continued)

The amount of taxation charged to the condensed consolidated income statement attributable to continuing operations represents:

	Six months ended 30 June	
	2014	2013
	HK\$'M	HK\$'M
		(Re-presented)
<b>Continuing operations</b>		
Current taxation		
– Hong Kong profits tax	41.2	12.8
– Taxation in other jurisdictions	-	0.2
	<u>41.2</u>	<u>13.0</u>
Deferred taxation		
– Change in fair value of investment properties	11.3	7.6
– Temporary differences on tax depreciation	5.3	4.3
– Utilisation of tax losses	12.7	12.8
– Withholding tax	(0.1)	0.3
	<u>29.2</u>	<u>25.0</u>
Income tax expenses relating to continuing operations	<u>70.4</u>	<u>38.0</u>

Details of income tax expenses relating to discontinued operations are disclosed in Note 12 to this Interim Financial Information.

## 7. Earnings per share

The calculation of the basic and diluted earnings per share for profit attributable to equity holders of the Company is based on the following financial information:

	Six months ended 30 June	
	2014	2013
	HK\$'M	HK\$'M
		(Re-presented)
Profit attributable to equity holders of the Company		
– Continuing operations	1,600.9	1,059.4
– Discontinued operations	-	(23.6)
	<u>1,600.9</u>	<u>1,035.8</u>

## 7. Earnings per share (Continued)

	Six months ended 30 June	
	2014	2013
Weighted average number of ordinary shares in issue	1,336,361,747	1,334,978,387
Effect of dilutive potential shares issuable under the Company's share incentive scheme	<u>4,657,653</u>	<u>5,103,048</u>
Weighted average number of shares for the purpose of calculating diluted earnings per share	<u><u>1,341,019,400</u></u>	<u><u>1,340,081,435</u></u>

## 8. Interim dividend

	Six months ended 30 June	
	2014	2013
	HK\$'M	HK\$'M
Interim dividend of HK4.2 cents (2013: HK4.2 cents) per ordinary share	<u>56.2</u>	<u>56.1</u>

## 9. Properties for sale

	30 June	31 December
	2014	2013
	HK\$'M	HK\$'M
Properties under development held for sale	1,024.4	1,131.6
Completed properties	<u>307.2</u>	<u>293.4</u>
	<u><u>1,331.6</u></u>	<u><u>1,425.0</u></u>

## 10. Trade and other receivables, deposits and prepayments

	30 June 2014 HK\$'M	31 December 2013 HK\$'M
Trade receivables	1,468.0	793.4
Deferred rent receivables	13.6	10.3
Amounts due from and loans to joint ventures	733.6	996.3
Amounts due from and loans to associates	8.1	6.2
Other receivables, deposits and prepayments	<u>93.2</u>	<u>79.7</u>
	<u>2,316.5</u>	<u>1,885.9</u>

The Group allows different credit periods to its customers. Credit periods vary from 30 to 90 days in accordance with the industry practice. The following is an ageing analysis of the Group's trade receivables (net of provision) at the balance sheet date:

	30 June 2014 HK\$'M	31 December 2013 HK\$'M
Not yet due	1,455.0	779.4
1 – 30 days	6.0	5.6
31 – 90 days	1.7	6.2
Over 90 days	<u>5.3</u>	<u>2.2</u>
	<u>1,468.0</u>	<u>793.4</u>

## 11. Trade and other payables and accruals

	30 June 2014 HK\$'M	31 December 2013 HK\$'M
Trade payables	20.7	35.3
Properties sale deposits received	-	173.0
Rental deposits received	160.8	150.5
Construction costs payables	108.9	116.8
Amounts due to joint ventures	0.1	12.1
Amounts due to associates	0.2	0.4
Provision for other costs arising from disposal of subsidiaries	8.6	10.0
Other creditors and accruals	<u>188.8</u>	<u>186.8</u>
	<u>488.1</u>	<u>684.9</u>



## 11. Trade and other payables and accruals (Continued)

The following is an ageing analysis of the Group's trade payables at the balance sheet date:

	30 June 2014 HK\$'M	31 December 2013 HK\$'M
0 – 30 days	19.6	33.6
31 – 90 days	0.8	1.1
Over 90 days	<u>0.3</u>	<u>0.6</u>
	<u>20.7</u>	<u>35.3</u>

## 12. Discontinued operations

In October 2013, the Group decided to cease its garment manufacturing operations. Accordingly, provision for closure costs as at 31 December 2013 was HK\$18.8M, out of which HK\$11.2M was utilised by 30 June 2014.

Financial information relating to the discontinued operations for the six months ended 30 June 2013 is as follows:

	HK\$'M
Revenue	80.9
Cost of sales	(74.5)
Other gains, net	1.0
Selling and distribution costs	(3.1)
Administrative expenses	<u>(27.9)</u>
Loss before taxation from discontinued operations	(23.6)
Taxation	<u>-</u>
Loss for the period from discontinued operations attributable to equity holders of the Company	<u>(23.6)</u>

The net cash flows attributable to the discontinued operations for the six months ended 30 June 2013 are as follows:

	HK\$'M
Net cash used in operating activities	(27.3)
Net cash generated from investing activities	<u>0.4</u>
Total net cash outflows	<u>(26.9)</u>

## **REVIEW OF INTERIM FINANCIAL INFORMATION**

The Interim Financial Information for the six months ended 30 June 2014 is unaudited, but reviewed by PricewaterhouseCoopers, the Company's independent auditor in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. The Interim Financial Information has also been reviewed by the Company's Audit Committee.

## **INTERIM DIVIDEND AND RECORD DATE**

The Directors declared the payment of an interim dividend of HK4.2 cents per share for the year ending 31 December 2014 (2013: HK4.2 cents). The interim dividend will be distributed on or around 3 October 2014 to the shareholders whose names appear on the register of members of the Company at the close of business on 16 September 2014 (the Record Date).

In order to qualify for the entitlement of the interim dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar, Tricor Standard Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on 16 September 2014.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

In the first half of 2014, the Group's revenue was HK\$1,317 million, an increase of HK\$971 million or 281% compared with HK\$346 million in 2013. This is mainly due to recognition of pre-sold units of The Pierre in 2014 and growing rental and property management income. Consolidated profit attributable to equity holders was HK\$1,601 million, an increase of HK\$565 million or 55% compared with HK\$1,036 million in 2013. Other than the effect of the recognition of The Pierre and growing rental and property management income mentioned above, the increase was mainly attributable to higher fair value gain on the Group's investment properties of HK\$1,346 million in 2014 compared with HK\$826 million in 2013.

In the second half of 2013, the Group ceased its non-core garment manufacturing operations to focus on growing its property business. The cessation did not have any significant impact on the Group's net profit, net assets and cash flows. According to the Hong Kong Financial Reporting Standards No. 5 "Non-current Assets Held For Sale and Discontinued Operations", the cessation is presented as "Discontinued operations" in the Group's condensed consolidated income statement with certain comparatives re-presented.

## Property Development

Property development segment revenue was HK\$898 million in the first half of 2014, an increase of HK\$895 million compared with HK\$3 million in 2013. Segment profit before taxation was HK\$171 million in 2014, an increase of HK\$128 million compared with HK\$43 million in 2013. The increase was mainly due to the recognition of revenue and related profit of The Pierre in 2014.

### *Wholly-owned projects*

The Warren, located at 9 Warren Street, Causeway Bay, is a residential and commercial project with a saleable area of approximately 53,000 square feet. The commercial portion comprises two retail shops on the ground floor. One residential unit was sold in the first half of 2014. Around 78% of the residential units have been sold as at 30 June 2014 and nearly all of the sold units were handed over to the buyers in July and August 2014.

The Pierre, located at 1 Coronation Terrace, Mid-Levels West, is a residential project with a gross floor area of approximately 40,000 square feet. Over 97% of the residential units were pre-sold in September 2012. Interior fitting-out works are in progress. The Occupation Permit was obtained in May 2014 and the pre-sold units are expected to be handed over to the buyers in second half of 2014.

The Siu Sau site in Tuen Mun, a low-density residential site with a gross floor area of approximately 159,000 square feet, is scheduled for completion in 2018.

In April 2014, the Group acquired a premium seaview residential site located at Shau Kei Wan, with a gross floor area of approximately 46,000 square feet. The project is scheduled for completion in 2018.

### *Joint venture projects*

The Group has a 15% interest in each of Providence Bay, Providence Peak and The Graces located at Pak Shek Kok, Tai Po. In first half of 2014, around 22% of the residential units of The Graces were sold. As at 30 June 2014, 61%, 81% and 70% of the residential units of Providence Bay, Providence Peak and The Graces have been sold respectively.

The Group has a 30% interest in Seymour, located at the Mid-levels. More than 96% of its residential units have been sold.

The Group has a 50% interest in a residential project in Hung Hom, newly named as Homantin Hillside, which is in close proximity to the future MTR station of Shatin to Central Link. The project has a gross floor area of approximately 153,000 square feet. The Group is the lead project manager and lead

sales and marketing manager for this project. Superstructure works commenced in February 2014 and the development is scheduled for completion in 2016.

The Group has two residential projects in Kau To, Shatin which were acquired in August 2012 and January 2013 respectively. The Group has a 35% interest in both sites which offer a combined gross floor area of approximately 460,000 square feet. The Group is the joint project manager and lead sales and marketing manager for both projects. The projects are scheduled for completion in 2017.

## **Property Investment and Management**

Property investment and management segment revenue was HK\$333 million in the first half of 2014, an increase of HK\$72 million compared with HK\$261 million in 2013. Segment profit before taxation was HK\$1,508 million in 2014, an increase of HK\$515 million compared with HK\$993 million in 2013. Excluding fair value gain of investment properties and a one-off disposal gain of an associate, segment profit before taxation was HK\$189 million in 2014, an increase of HK\$25 million compared with HK\$164 million in 2013. The increase reflects continued growth in rental rate of the Group's investment properties.

### *Wholly-owned properties in Hong Kong*

As at 30 June 2014, the Group'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 HK\$17,374 million.

Landmark East is the Group's flagship property located in Kowloon East. This wholly-owned property is a Grade-A office complex comprising twin towers of 36 floors and 34 floors respectively, with a total gross floor area of approximately 1,338,000 square feet. As at 30 June 2014, the property achieved nearly full occupancy with only about 60 tenants. In the first half of 2014, around 15% of leases were renewed with an average upward rental reversion of approximately 48%. Around 12% of leases will expire or be subject to rent review in the second half of 2014 and will be subject to renewal or review on prevailing market terms.

Located at Hennessy Road in the heart of Wan Chai, W Square offers approximately 129,000 square feet of office and retail space. As at 30 June 2014, W Square achieved an occupancy rate of approximately 93%. In the first half of 2014, around 22% of leases were renewed with an average upward rental reversion of approximately 16%. Around 26% of the leases will expire in the second half of 2014 and will be subject to renewal on prevailing market terms.

The Group has two industrial buildings, Winner Godown Building in Tsuen Wan and Shui Hing Centre in Kowloon Bay, with a combined gross floor area of approximately 684,000 square feet. As at 30

June 2014, the two properties achieved nearly full occupancy. In the first half of 2014, around 10% of leases was renewed with an average upward rental reversion of approximately 27%. Around 15% of the leases will expire in the second half of 2014 and will be subject to renewal on prevailing market terms.

#### *Wholly-owned properties in London*

The newly-refurbished commercial property at No.1 Savile Row/7 Vigo Street, West End, has a net internal area of approximately 14,000 square feet of Grade-A office and premier retail space. As at 30 June 2014, the property achieved an occupancy rate of approximately 66%.

The high-end commercial property located at 8-12 (even) Brook Street, West End, offers easy access to the Oxford Circus and Bond Street underground stations and has a net internal area of approximately 19,000 square feet of Grade-A office and premier retail space. As at 30 June 2014, the property achieved an occupancy rate of approximately 74%.

#### *Joint venture project in China*

The Group has a 50% interest in Upper Riverside, a luxury apartment building located at Lujiazui, Pudong, Shanghai. The project has a gross floor area of approximately 210,000 square feet. The Group is the lead project manager and lead sales and marketing manager. Interior fitting out works are progressing on schedule, and the project is scheduled for completion in 2015.

### **Hospitality Investment and Management**

Hospitality investment and management segment revenue was HK\$74 million in the first half of 2014 compared with HK\$71 million in 2013. Segment profit before taxation was HK\$47 million in 2014, compared with HK\$56 million in 2013.

Lanson Place Bukit Ceylon Serviced Residences, our 50:50 joint venture property in Kuala Lumpur, Malaysia marked its soft opening in August 2013. The residences is the second property in the Group's portfolio to qualify as one of the "Small Luxury Hotels of the World<sup>TM</sup>" and is also the first "Small Luxury Hotel" in Kuala Lumpur's central business district.

The Lanson Place Hotel in Hong Kong and Lanson Place Jinlin Tiandi Serviced Residences in Shanghai recorded a gradual rise in both the occupancy and average rental rates after their refurbishment.

Lanson Place Central Park Serviced Residences in Beijing achieved an occupancy rate of around 95% with a steady growth in average rental rate.

Lanson Place properties continue to be well-recognised by travellers. The Lanson Place Hotel was awarded the “2014 Certificate of Excellence” by TripAdvisor and “Expedia Insiders’ Select 2014” by Expedia.com. In addition, Lanson Place Central Park Serviced Residences and Lanson Place Hospitality Management Limited were awarded “The Best Serviced Apartments of China” and “The Best Serviced Apartment Operator of China” respectively at the 9th China Hotel Starlight Awards.

## Others

The others segment comprises investing activities and corporate. Segment revenue was HK\$12 million in the first half of 2014 compared with HK\$11 million in 2013. Segment loss before taxation was HK\$54 million in 2014, a decrease of HK\$60 million compared with a profit of HK\$6 million in 2013. The decrease was mainly due to a one-off gain from the return of investment of an available-for-sale financial asset of HK\$46 million in 2013.

## FINANCIAL REVIEW

### Liquidity and Financial Resources

The Group’s net assets totalled HK\$22,443 million as at 30 June 2014 (31 December 2013: HK\$20,895 million). The increase of HK\$1,548 million mainly resulted from the profit for the period of HK\$1,601 million and a fair value gain arising from the revaluation of available-for-sale financial assets of HK\$76 million, offset by the distribution of the 2013 final dividend of HK\$125 million in the first half of 2014.

As at 30 June 2014, the Group’s bank and other borrowings totalled HK\$4,356 million (31 December 2013: HK\$4,687 million). The maturity profile of the Group’s bank and other borrowings is set out below:

	30 June 2014		31 December 2013	
	HK\$ million		HK\$ million	
Repayable:				
Within one year	1,209	28%	1,740	37%
Between one and two years	53	1%	32	1%
Between two and five years	1,404	32%	1,236	26%
After five years	1,690	39%	1,679	36%
	<u>4,356</u>	<u>100%</u>	<u>4,687</u>	<u>100%</u>

As at 30 June 2014, the Group's net borrowings (total bank borrowings and fixed rate bonds less bank balances and cash) was HK\$3,770 million (31 December 2013: HK\$3,445 million), representing 16.8% of the Group's net assets (31 December 2013: 16.5%). Interest for the Group's bank borrowings is mainly on a floating rate basis while interest for the Group's bonds is on a fixed rate basis.

The Group's bank balances and cash as well as unutilised revolving loan facilities are set out as follows:

	30 June 2014 HK\$ million	31 December 2013 HK\$ million
Bank balances and cash	585	1,242
Unutilised revolving loan facilities	2,150	1,714
	<u>2,735</u>	<u>2,956</u>

### Foreign Currencies

The Group principally operates in Hong Kong, and as a result, has minimal exposure to exchange rate fluctuation. The Group conducts its business mainly in Hong Kong dollars, Renminbi and UK pounds. For transactions in foreign currencies, the Group will closely monitor the exposure, and if appropriate, hedge to the extent desirable.

### Contingent Liabilities

As at 30 June 2014, the Group had contingent liabilities of HK\$2,868 million (31 December 2013: HK\$2,865 million) in respect of guarantees given by the Company for banking facilities granted to an associated company and certain joint ventures. The guarantees were given severally and in proportion to the Group's equity interests in the associated company and joint ventures.

### Pledge of Assets

As at 30 June 2014, the Group's advances to associates/joint ventures of HK\$1,472 million (31 December 2013: HK\$1,385 million) were subordinated to the loan facilities of associates/joint ventures and assigned. The shares in these associates/joint ventures beneficially owned by the Group are pledged to financial institutions.

As at 30 June 2014, several of the Group's investment properties, other financial assets and properties for sale with carrying values of HK\$10,195 million, HK\$366 million and HK\$890 million respectively were pledged to secure credit facilities for the Group.

## **PROSPECTS**

The Hong Kong residential property market took time to absorb the adverse impact from the government's cooling measures. The momentum in the recent recovery of the primary property market is expected to continue in the second half of 2014, supported by strong fundamentals in the local economy, low interest rate, low unemployment rate, and immense domestic pent-up demand. We remained proactive in identifying the optimal windows to launch our two premium residential projects - Homantin Hillside in Hong Kong, and Upper Riverside in Shanghai, as well as continue to sell the remaining units of The Warren, Seymour, The Graces, Providence Bay and Providence Peak.

We have been strategically building our residential pipeline for sustainable development, which has now extended through 2018. We will continue to be proactive and selective in identifying suitable acquisitions to replenish our land bank.

The Grade-A office leasing market is expected to remain active in the second half of 2014. We have already secured good rental reversion or new lease rental for a considerable number of leases expiring in the second half of 2014, and will further enhance our quality tenant base. We are confident that our investment properties will continue to see positive rental reversion and high occupancy for the rest of the year, contributing to growing recurring income and profit.

The Group will continue to explore opportunities to acquire quality commercial buildings and serviced residences in Hong Kong and other gateway cities, to enhance its asset portfolio quality and recurring earnings. We will also look for opportunities to extend our Lanson Place operation through third party management contract in the region.

## **EMPLOYEES**

As at 30 June 2014, the Group had approximately 570 employees. The Group offers comprehensive remuneration and benefit packages to its employees, which are structured according to the prevailing salary levels in the market, individual merit and performance. The Group has a mandatory provident fund scheme to provide retirement benefits to all employees in Hong Kong.

Employees, including directors, are eligible for the Company's share incentive scheme where the incentive shares are generally exercisable in stages within ten years.



## **CORPORATE GOVERNANCE**

The Company is committed to achieving and maintaining high standards of corporate governance and has established policies and procedures for compliance with regulatory requirements, including the requirements under the Listing Rules. The Company has complied with all the applicable code provisions of the Corporate Governance Code contained in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2014.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as its code of conduct for securities transactions by directors of the Company.

Au Hing Lun, Dennis, who resigned as an executive director of the Company on 6 May 2014, confirmed, following specific enquiry by the Company, that he complied with the Model Code throughout the period from 1 January 2014 to 5 May 2014.

All other directors have confirmed, following specific enquiry by the Company, that they have fully complied with the required standard set out in the Model Code throughout the six months ended 30 June 2014.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES**

During the six months ended 30 June 2014, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares.

## **INTERIM REPORT**

The 2014 interim report containing all the financial and other related information of the Company required by the Listing Rules will be published on the website of the Hong Kong Exchanges and Clearing Limited at [www.hkexnews.hk](http://www.hkexnews.hk) and the website of the Company at [www.wingtaiproperties.com](http://www.wingtaiproperties.com) and copies will be dispatched to shareholders of the Company on or about 11 September 2014.

By Order of the Board

**WING TAI PROPERTIES LIMITED**

Fung Ching Man, Janet

*Company Secretary and Chief Financial Officer*

Hong Kong, 26 August 2014

As at the date of this announcement, the directors of the Company are:

*Executive Directors:*

Cheng Wai Chee, Christopher, Cheng Wai Sun, Edward, Cheng Man Piu, Francis and Chow Wai Wai, John

*Non-Executive Directors:*

Kwok Ping Luen, Raymond (Yung Wing Chung as his alternate), Hong Pak Cheung, William, Ng Tak Wai, Frederick and Chen Chou Mei Mei, Vivien

*Independent Non-Executive Directors:*

Simon Murray, Fang Hung, Kenneth, Yeung Kit Shing, Jackson, Haider Hatam Tyebjee Barma and Cheng Hoi Chuen, Vincent