

Wing Tai Properties Announces 2014 Annual Results Achieving Solid Growth in Recurring Rental Income and Operating Profit

Diversified and Outstanding Asset Portfolio Provides Momentum for Future Revenue and Value Growth

17 March 2015, Hong Kong - **Wing Tai Properties Limited** (“Wing Tai” or “the Group”, SEHK stock code: 369) announced today the Group’s audited consolidated results for the year ended 31 December 2014.

During the year, the Group’s revenue was HK\$1,784 million compared with HK\$1,736 million in 2013. Consolidated profit attributable to equity holders was HK\$1,944 million, a decrease of HK\$717 million compared with HK\$2,661 million in 2013. The decrease was mainly attributable to a lower fair value gain on investment properties and financial instruments of HK\$1,539 million in 2014 compared with HK\$2,121 million in 2013; a one-off disposal gain on investments of approximately HK\$90 million in 2013; and lower development profits offset by gain on upward rental reversion of the commercial and hospitality investment properties of the Group.

The Board of Directors proposed to declare a final dividend of HK9.3 cents per share (2013: HK9.3 cents), together with an interim dividend of HK4.2 cents per share (2013: HK4.2 cents), making a total dividend of HK13.5 cents per share (2013: HK13.5 cents) for the year.

Mr. Edward Cheng, Deputy Chairman and Chief Executive of Wing Tai Properties Limited, said, “In the midst of an ever-changing market landscape and challenging operating environment as a whole, we are pleased to present a set of solid results to our shareholders on the back of our diversified and well-balanced portfolio of residential, commercial and hospitality assets.”

Mr. Cheng added, “The recurring and resilient rental income we have generated from our investment properties, coupled with the launch/relaunch of our residential units at favourable windows during the year, confirm our growth strategy of optimizing the value of and returns on our investments. Through prudent strategic planning and disciplined execution, we are well placed to further grow and diversify our asset portfolio to build sustainable revenue and value growth.”

BUSINESS REVIEW

Property Development

In 2014, revenue and profit before taxation generated from this segment stood at HK\$944 million and HK\$170 million, respectively.

For the Group's wholly-owned projects, around 6% of the residential units of The Warren were sold during the year. As at 31 December 2014, up to approximately 83% of the residential units were sold and nearly all of which were handed over to the purchasers. Green site formation work is underway for the Siu Sau site in Tuen Mun, and the project is scheduled for completion in 2019. Design and planning work for the prime harbour-front residential site located at Shau Kei Wan is completed, and the project is scheduled for completion in 2018.

Among the 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. As at 31 December 2014, around 64%, 81% and 83% of the residential units of Providence Bay, Providence Peak and The Graces were sold, respectively.

Homantin Hillside, the residential project in which the Group has a 50% interest, got 4% of its residential units pre-sold during an initial launch in November 2014. Superstructure work is in progress, and the project is scheduled for completion in 2016.

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

Property Investment and Management

In 2014, revenue and profit before taxation generated from this segment amounted to HK\$669 million and HK\$1,930 million, respectively. Excluding fair value changes in investment properties and financial instruments and a one-off disposal gain on investment in an associated company, segment profit before taxation increased by 25% to HK\$393 million as compared with 2013.

As at 31 December 2014, the Group'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\$17,560 million.

Landmark East, the Group's flagship property located in Kowloon East, achieved an occupancy of approximately 96% as at 31 December 2014. At the date of this results announcement, the occupancy rate has further improved to 98%. During the year, around 22% of its leases expired and were renewed with an average rental upward revision of approximately 32%.

W Square, located at Hennessy Road in the heart of Wan Chai, achieved an occupancy of approximately 84% as at 31 December 2014. At the date of this results announcement, the occupancy rate has further improved to 92%. Around 34% of its leases expired and were renewed with an average rental upward revision of approximately 13% during the year.

The Group's Winner Godown Building and Shui Hing Centre achieved nearly full occupancy as at 31 December 2014. Around 19% of its leases were renewed with an average rental upward revision of approximately 25% in 2014.

For wholly-owned properties in London, the newly refurbished commercial property at Savile Row/Vigo Street, West End, achieved full occupancy as at 31 December 2014. The high-end commercial property located at Brook Street, West End, achieved an occupancy of approximately 74% as at 31 December 2014.

Upper Riverside located at Pudong, Shanghai, the luxury apartment joint venture project in which the Group has a 50% interest, offers a gross floor area of approximately 210,000 square feet. The project is scheduled for completion in 2015.

Hospitality Investment and Management

In 2014, revenue and profit before taxation generated from this segment was HK\$147 million and HK\$59 million, respectively.

The Group's 50% joint venture property in Kuala Lumpur, Lanson Place Bukit Ceylon Serviced Residences, had its full opening in December 2014. During the year, Lanson Place Hotel in Hong Kong and Lanson Place Jinlin Tiandi Serviced Residences in Shanghai recorded a gradual rise in both occupancy and average rental rates upon completion of refurbishment. Lanson Place Central Park Residences in Beijing continued to achieve an occupancy of over 90% with a steady growth in average rental rate.

In November 2014, a new 10-year management contract was signed for a luxury residential property in Huangpu District of Puxi, Shanghai. This denotes the 4th property in Shanghai under Lanson Place Management. The property is targeted to open in early 2016.

PROSPECTS

Looking ahead, the Group will continue to proactively replenish its land bank through land tenders to enhance its development pipeline as the Hong Kong SAR Government expedites and increases the land supply in various sizes and locations. It remains focused on consistently crafting high quality products and creating lifestyle living environment for its customers through efficient and effective project execution.

In 2015, the Group will closely monitor the residential market development to capture the right window to launch/re-launch its new projects and remaining units of completed projects, including Homantin Hillside in Hong Kong and Upper Riverside in Shanghai.

The Group's diversified investment portfolio in commercial and hospitality properties is expected to generate sustainable growing recurring income in 2015, supported by stable high occupancy and rising rental rates. Landmark East, the Group's flagship Grade-A office towers in Kowloon East in particular, is expected to continue to enjoy upward rental reversion for its expiring leases and to capture quality tenants including major multi-national corporations, reinforcing its leading market positioning in the growing Kowloon East district. The Group will continue to acquire yield-enhancing investment properties in Hong Kong and key gateway cities with an aim to grow its portfolio and recurring leasing income.

The revenue base and presence of the Lanson Place hospitality brand will be further strengthened with the full opening of Lanson Place Bukit Ceylon Serviced Residences in Kuala Lumpur last December and the opening of Aroma Garden Serviced Suites by Lanson Place in Shanghai in the second quarter of 2015. The Group is committed to expanding its hospitality management business in both existing and new markets in the region through long-term third party management contracts.

Mr. Cheng concluded, "While near-term market volatility prevails, we believe the local residential property market would continue to stay resilient in view of the strong pent-up domestic household demand and low mortgage rates. We are also confident that our prime investment properties will continue to generate sustainable and growing recurring rental income. With a prudent financial management strategy and strong balance sheet, backed by balanced asset portfolio and diversified capital structure, we will be able to take full advantage of the market opportunities as 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 the hospitality investment and management arm under its 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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CONSOLIDATED INCOME STATEMENT

	Year ended 31 December	
	2014	2013
	HK\$'M	HK\$'M
Continuing operations		
Revenue	1,783.5	1,736.2
Cost of sales	(857.1)	(917.4)
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Gross profit	926.4	818.8
Other gains, net	8.0	105.6
Selling and distribution costs	(75.9)	(85.9)
Administrative expenses	(250.0)	(236.9)
Change in fair value of investment properties and financial instruments	1,539.2	2,121.1
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Profit from operations	2,147.7	2,722.7
Finance costs	(130.1)	(159.1)
Finance income	13.9	13.2
Share of results of joint ventures	(0.6)	163.5
Share of results of associates	2.2	5.9
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Profit before taxation from continuing operations	2,033.1	2,746.2
Taxation	(89.5)	(91.4)
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Profit for the year from continuing operations	1,943.6	2,654.8
Discontinued operations		
Profit for the year from discontinued operations	-	6.4
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Profit for the year	1,943.6	2,661.2
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Profit for the year attributable to:		
Equity holders of the Company		
- From continuing operations	1,943.6	2,654.6
- From discontinued operations	-	6.4
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	1,943.6	2,661.0
Non-controlling interests		
- From continuing operations	-	0.2
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	1,943.6	2,661.2
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CONSOLIDATED INCOME STATEMENT (Continued)

	Year ended 31 December	
	2014	2013
Earnings per share attributable to equity holders of the Company		
Basic earnings per share		
- From continuing operations	HK\$1.45	HK\$1.99
- From discontinued operations	-	-
	<u>HK\$1.45</u>	<u>HK\$1.99</u>
Diluted earnings per share		
- From continuing operations	HK\$1.45	HK\$1.98
- From discontinued operations	-	-
	<u>HK\$1.45</u>	<u>HK\$1.98</u>
Dividends (expressed in HK\$'M)	<u>180.7</u>	<u>180.6</u>

Certain comparative figures have been reclassified to conform with current year's presentation as a result of changes in presentation of the consolidated income statement.

CONSOLIDATED BALANCE SHEET

	2014	2013
	HK\$'M	HK\$'M
ASSETS AND LIABILITIES		
Non-current assets		
Investment properties	20,586.1	19,002.7
Other properties, plant and equipment	58.4	68.0
Investments in joint ventures	482.3	511.5
Loans to joint ventures	1,905.8	1,726.7
Investments in associates	100.0	100.5
Loans to associates	21.8	24.7
Deposits and loan receivables	17.5	20.1
Other financial assets	487.0	401.6
Deferred tax assets	4.5	9.4
Derivative financial instruments	-	30.2
	<u>23,663.4</u>	<u>21,895.4</u>
Current assets		
Properties for sale	1,322.2	1,425.0
Trade and other receivables, deposits and prepayments	777.0	1,885.9
Other financial assets	38.9	51.3
Derivative financial instruments	0.4	-
Sales proceeds held in stakeholders' accounts	79.1	192.4
Tax recoverable	40.7	2.3
Restricted bank deposits	13.5	10.6
Bank balances and cash	1,592.6	1,242.2
	<u>3,864.4</u>	<u>4,809.7</u>
Current liabilities		
Trade and other payables and accruals	404.4	684.9
Derivative financial instruments	18.9	39.5
Tax payable	46.2	71.7
Bank and other borrowings	63.8	1,739.7
	<u>533.3</u>	<u>2,535.8</u>
Net current assets	<u>3,331.1</u>	<u>2,273.9</u>
Total assets less current liabilities	<u>26,994.5</u>	<u>24,169.3</u>

CONSOLIDATED BALANCE SHEET (Continued)

	2014 HK\$'M	2013 HK\$'M
Non-current liabilities		
Bank and other borrowings	3,815.0	2,947.1
Other long-term liability	91.5	58.9
Derivative financial instruments	136.6	54.2
Deferred tax liabilities	271.2	213.9
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	4,314.3	3,274.1
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NET ASSETS	22,680.2	20,895.2
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EQUITY		
Equity attributable to equity holders of the Company		
Share capital	669.3	667.6
Reserves	22,009.7	20,226.1
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	22,679.0	20,893.7
Non-controlling interests	1.2	1.5
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TOTAL EQUITY	22,680.2	20,895.2
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