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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 2016, INTERIM DIVIDEND AND RECORD DATE**

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

Dear Shareholders

I am pleased to report that the Group's consolidated net profit attributable to shareholders was HK\$300 million for the six months ended 30 June 2016 and earnings per share was HK\$0.22. The Board of Directors has recommended an interim dividend of HK4.2 cents per share.

We continued our focus on strengthening the three strategic pillars of our business of property development, property investment and management, and hospitality investment and management. The aim is to build and grow a balanced portfolio to maximise our total returns. In view of the inherently cyclical nature of the property development market, it is important for us to enhance our recurring income base leveraging our premier investment properties in Hong Kong and other key gateway cities in the region and beyond.

Our premier residential development of Homantin Hillside, which obtained its occupation permit in June and has been relaunched on site since then, has continued to receive good market interests and sales response from both end users and investors in the face of the challenging market environment. It reinforces further our pursuit for high quality development in design, construction and exclusive service offerings. Revenue from presale and June sales was recognised in June. We also captured several favourable windows of opportunity to sell the remaining units of The Warren, The Pierre, Providence Bay, Providence Peak and The Graces.

We have made great strides with our land bank. After securing a land plot in So Kwun Wat, Tuen Mun late last December, we acquired another premium residential site located at Castle Peak Road in the same neighbourhood just adjacent to our low-density Siu Sau site, through a public land sale

tender in June. This will complement our residential development pipeline in Tuen Mun for better scalability and cost efficiency.

In the first half of 2016, our recurring rental income grew steadily with solid tenant demand and upward rental reversions amid a challenging global economy and a softening Hong Kong economy. Occupancy and tenant quality at our investment portfolio of quality Grade A offices in Hong Kong and Central London remained high. An average occupancy rate of 98% was achieved as at 30 June 2016. Landmark East, our flagship office towers in the centre of Kwun Tong, Hong Kong continued to benefit from the development of Kowloon East in terms of rental and capital value. In January, we acquired a 33% interest in a boutique Grade A office building in West End of Central London. A refurbishment programme for the expansion and upgrade of the property was commenced shortly after. This signifies our fifth commercial property in Central London, giving us the benefit of economies of scale and enabling us to carry out enhancement initiatives to unlock the value of the assets. In July, by capturing a favourable window of opportunity, we also divested our entire 50% in Upper Riverside, a luxury apartment building in Shanghai. The gain on the disposal was recognised in August upon completion of the deal.

Our Lanson Place hospitality investment and management business remained solid, recording satisfactory occupancy levels and rental rates. In February, we signed a 10-year management contract to manage a 213-unit serviced apartment project at Two MacDonnell Road in Mid-Levels, Hong Kong. The management period commenced in March 2016. In July, we had our management contract for Lanson Place Jinlin Tiandi Serviced Residences in Shanghai extended for another seven years. This brings a total of five properties under the management of Lanson Place in Shanghai. In August, we signed another management contract to operate the new Lanson Place Tianfu Square Serviced Residences in Luomashi, the well-acclaimed financial centre at the heart of Chengdu. Parkside Serviced Suites by Lanson Place also had its official opening in May 2016. All these achievements represent significant steps forward in our strategy to expedite our expansion in Hong Kong and key cities in Asia.

Taking this opportunity, I would like to thank my fellow board members for their valuable insights, and express my gratitude to all colleagues for their hard work as well as to all business partners, customers and stakeholders as a whole for their continuous support. It is the concerted effort of all of them that has helped Wing Tai in building a successful and sustainable business for the long term.

**Cheng Wai Chee, Christopher**  
Chairman

Hong Kong, 30 August 2016

## 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 2016.

### CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2016

		Unaudited	
		Six months ended 30 June	
	Note	2016	2015
		HK\$'M	HK\$'M
<b>Revenue</b>	3	468.0	539.8
Cost of sales		(92.0)	(157.4)
		<hr/>	<hr/>
<b>Gross profit</b>		376.0	382.4
Other gains, net	4	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	5	162.1	264.5
		<hr/>	<hr/>
<b>Profit from operations</b>	6	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
		<hr/>	<hr/>
<b>Profit before taxation</b>		358.1	520.4
Taxation	7	(57.9)	(51.7)
		<hr/>	<hr/>
<b>Profit for the period</b>		300.2	468.7
		<hr/> <hr/>	<hr/> <hr/>
<b>Attributable to:</b>			
Equity holders of the Company		300.2	468.8
Non-controlling interests		-	(0.1)
		<hr/>	<hr/>
		300.2	468.7
		<hr/> <hr/>	<hr/> <hr/>
<b>Earnings per share attributable to equity holders of the Company</b>	8		
– Basic		HK\$0.22	HK\$0.35
		<hr/>	<hr/>
– Diluted		HK\$0.22	HK\$0.35
		<hr/> <hr/>	<hr/> <hr/>

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2016

	Unaudited	
	Six months ended 30 June	
	2016	2015
	HK\$'M	HK\$'M
<b>Profit for the period</b>	300.2	468.7
<b>Other comprehensive income</b>		
<b>Items that may be reclassified subsequently to profit or loss:</b>		
Exchange differences on translation of foreign operations	(36.3)	(2.9)
Net fair value gain/(loss) arising from revaluation of available-for-sale financial assets	71.8	(66.7)
Net gain on net investment hedge	1.0	3.2
Net gain/(loss) on cash flow hedge		
– Fair value gains/(losses)	32.9	(29.3)
– Release to profit or loss	-	(0.4)
<b>Other comprehensive income for the period, net of tax</b>	69.4	(96.1)
<b>Total comprehensive income for the period</b>	369.6	372.6
<b>Attributable to:</b>		
Equity holders of the Company	369.6	372.7
Non-controlling interests	-	(0.1)
<b>Total comprehensive income for the period</b>	369.6	372.6

# CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2016

	Note	Unaudited 30 June 2016 HK\$'M	Audited 31 December 2015 HK\$'M
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
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
		<u>24,095.4</u>	<u>24,047.6</u>
<b>Current assets</b>			
Properties for sale	10	2,435.4	1,295.6
Trade and other receivables, deposits and prepayments	11	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
		<u>4,139.6</u>	<u>4,173.3</u>
Non-current assets classified as assets held for sale	14	439.2	-
		<u>4,578.8</u>	<u>4,173.3</u>
<b>Current liabilities</b>			
Trade and other payables and accruals	12	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
		<u>1,079.9</u>	<u>942.9</u>

## CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

As at 30 June 2016

	Unaudited 30 June 2016 HK\$'M	Audited 31 December 2015 HK\$'M
<b>Non-current liabilities</b>		
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
	<hr/>	<hr/>
	4,016.7	3,930.7
	<hr/>	<hr/>
<b>NET ASSETS</b>	<u>23,577.6</u>	<u>23,347.3</u>
<b>EQUITY</b>		
<b>Equity attributable to equity holders of the Company</b>		
Share capital	671.7	670.6
Reserves	22,904.9	22,675.7
	<hr/>	<hr/>
	23,576.6	23,346.3
<b>Non-controlling interests</b>	1.0	1.0
	<hr/>	<hr/>
<b>TOTAL EQUITY</b>	<u>23,577.6</u>	<u>23,347.3</u>

NOTES:

**1. Basis of preparation**

This Interim Financial Information for the six months ended 30 June 2016 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 2015.

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

**2. Significant accounting policies**

The Group has applied the following accounting policy to account for non-current assets classified as assets held for sale occurred during the period:

**Non-current assets (or disposal groups) classified as assets held for sale**

Non-current assets (or disposal groups) are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

Other than the above, 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 2015, 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 2016, noted below.

**(a) New standards, revised standards, amendments and improvements to standards effective for the current accounting period beginning on 1 January 2016 and relevant to the Group**

Annual improvements 2014

The adoption of the new or revised standards, amendments and improvements to standards 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 that are not yet effective in 2016 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 that have been issued but are not yet effective for the period.

		Effective for annual periods beginning on or after
Amendments to HKAS 7	Statement of cash flows	1 January 2017
Amendments to HKAS 12	Income taxes	1 January 2017
HKFRS 9	Financial instruments	1 January 2018
HKFRS 15	Revenue from contracts with customers	1 January 2018
HKFRS 16	Leases	1 January 2019

The Group is in the process of making assessment of the impact of these new standards, revised standards, amendments and improvements to standards 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	
	2016	2015
	HK\$'M	HK\$'M
Sale of properties and project management income	26.4	115.3
Rental income and property management income	430.5	413.3
Dividend income from available-for-sale financial assets	11.1	11.2
	<u>468.0</u>	<u>539.8</u>



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

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.

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 represent mainly investing activities and corporate activities including central management and administrative function.

	Property development HK\$'M	Property investment and management HK\$'M	Hospitality investment and management HK\$'M	Others HK\$'M	Elimination HK\$'M	Total HK\$'M
<b>For the six months ended 30 June 2016</b>						
<b>REVENUE</b>						
External sales	26.4	365.7	64.8	11.1	-	468.0
Inter-segment sales	-	4.3	0.1	-	(4.4)	-
Total	<u>26.4</u>	<u>370.0</u>	<u>64.9</u>	<u>11.1</u>	<u>(4.4)</u>	<u>468.0</u>
<b>RESULTS</b>						
Profit/(loss) before change in fair value of investment properties and financial instruments	(25.6)	271.3	10.9	(20.5)	-	236.1
Change in fair value of investment properties and financial instruments	(9.5)	183.8	(3.0)	(9.2)	-	162.1
Profit/(loss) from operations	<u>(35.1)</u>	<u>455.1</u>	<u>7.9</u>	<u>(29.7)</u>	<u>-</u>	<u>398.2</u>
Finance costs	-	(26.8)	(8.5)	(26.7)	18.0	(44.0)
Finance income	-	1.9	3.0	23.5	(18.0)	10.4
Share of results of joint ventures	3.1	(15.5)	5.5	-	-	(6.9)
Share of results of associates	0.4	-	-	-	-	0.4
Profit/(loss) before taxation	<u>(31.6)</u>	<u>414.7</u>	<u>7.9</u>	<u>(32.9)</u>	<u>-</u>	<u>358.1</u>
Taxation						(57.9)
Profit for the period						<u>300.2</u>
<b>Other items</b>						
Depreciation and amortisation	-	0.9	-	1.2	-	2.1

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

	Property development HK\$'M	Property investment and management HK\$'M	Hospitality investment and management HK\$'M	Others HK\$'M	Elimination HK\$'M	Total HK\$'M
<b>For the six months ended 30 June 2015</b>						
<b>REVENUE</b>						
External sales	115.3	342.1	71.2	11.2	-	539.8
Inter-segment sales	-	3.9	0.4	-	(4.3)	-
Total	<u>115.3</u>	<u>346.0</u>	<u>71.6</u>	<u>11.2</u>	<u>(4.3)</u>	<u>539.8</u>
<b>RESULTS</b>						
Profit/(loss) before change in fair value of investment properties and financial instruments	(1.8)	245.6	20.0	(38.2)	-	225.6
Change in fair value of investment properties and financial instruments	-	285.6	(30.8)	9.7	-	264.5
Profit/(loss) from operations	(1.8)	531.2	(10.8)	(28.5)	-	490.1
Finance costs	-	(28.5)	(9.5)	(33.9)	18.0	(53.9)
Finance income	-	2.8	3.1	20.1	(18.0)	8.0
Share of results of joint ventures	82.2	(2.7)	(4.3)	-	-	75.2
Share of results of associates	-	-	1.0	-	-	1.0
Profit/(loss) before taxation	80.4	502.8	(20.5)	(42.3)	-	520.4
Taxation	-	-	-	-	-	(51.7)
Profit for the period	-	-	-	-	-	<u>468.7</u>
<b>Other items</b>						
Depreciation and amortisation	-	1.0	-	1.5	-	2.5
Gain on disposal of other properties, plant and equipment, net	-	(0.1)	-	-	-	(0.1)

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	
	2016	2015
	HK\$'M	HK\$'M
Hong Kong	425.6	497.7
United Kingdom	15.5	10.9
The PRC	13.4	17.6
Singapore	12.1	12.2
Others	1.4	1.4
	<u>468.0</u>	<u>539.8</u>

#### 4. Other gains, net

	Six months ended 30 June	
	2016	2015
	HK\$'M	HK\$'M
Amortisation of interest income on held-to-maturity investments	-	0.4
Exchange losses, net	(1.4)	(0.4)
Right of light compensation income	8.9	-
Others	2.7	2.1
	<u>10.2</u>	<u>2.1</u>

#### 5. Change in fair value of investment properties and financial instruments

	Six months ended 30 June	
	2016	2015
	HK\$'M	HK\$'M
Change in fair value of investment properties	<u>201.4</u>	<u>245.2</u>
Net change in fair value of financial instruments		
- net fair value (loss)/gain on derivative financial instruments	(30.1)	9.2
- (loss)/gain on financial liabilities at fair value through profit or loss classified under other long-term liability	(9.2)	10.1
	<u>(39.3)</u>	<u>19.3</u>
	<u>162.1</u>	<u>264.5</u>

#### 6. Profit from operations

	Six months ended 30 June	
	2016	2015
	HK\$'M	HK\$'M
Profit from operations has been arrived at after charging/(crediting) the following:		
Share-based compensation expenses	5.8	5.2
Staff costs including directors' remuneration	125.8	114.2
Amortisation of interest income on held-to-maturity investments	-	(0.4)
Depreciation of other properties, plant and equipment	2.1	2.5
Direct operating expenses arising from investment properties generating rental income	78.6	76.3
Gain on disposal of other properties, plant and equipment	-	(0.1)
Operating lease rental expenses in respect of land and buildings	0.3	0.5
	<u>212.6</u>	<u>278.3</u>

## 7. Taxation

Hong Kong profits tax has been calculated at 16.5% (2015: 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.

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

	Six months ended 30 June	
	2016	2015
	HK\$'M	HK\$'M
Current taxation		
- Current tax on profits for the period	33.5	23.3
- Over-provision in prior years	(0.3)	(1.2)
	<u>33.2</u>	<u>22.1</u>
Deferred taxation		
- Change in fair value of investment properties	23.4	9.2
- Temporary differences on tax depreciation	8.3	8.7
- (Recognition)/utilisation of tax losses	(7.0)	11.6
- Withholding tax	-	0.1
	<u>24.7</u>	<u>29.6</u>
Income tax expenses	<u>57.9</u>	<u>51.7</u>

## 8. 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	
	2016	2015
	HK\$'M	HK\$'M
Profit attributable to equity holders of the Company	<u>300.2</u>	<u>468.8</u>
	Six months ended 30 June	
	2016	2015
Weighted average number of ordinary shares in issue	1,342,198,731	1,340,077,043
Effect of dilutive potential shares issuable under the Company's share option plan and share incentive scheme	<u>6,507,910</u>	<u>4,114,755</u>
Weighted average number of shares for the purpose of calculating diluted earnings per share	<u>1,348,706,641</u>	<u>1,344,191,798</u>

## 9. Interim dividend

	Six months ended 30 June	
	2016	2015
	HK\$'M	HK\$'M
Interim dividend of HK4.2 cents (2015: HK4.2 cents) per ordinary share	56.4	56.3

On 30 August 2016, the board of directors has resolved to declare an interim dividend of HK4.2 cents (2015: HK4.2 cents) per ordinary share. This interim dividend, amounting to HK\$56.4M (2015: HK\$56.3M), has not been recognised as a liability in this Interim Financial Information. It will be recognised in shareholders' equity in the year ending 31 December 2016.

## 10. Properties for sale

	30 June 2016 HK\$'M	31 December 2015 HK\$'M
Properties under development held for sale	2,274.9	1,134.0
Completed properties	160.5	161.6
	<u>2,435.4</u>	<u>1,295.6</u>

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

	30 June 2016 HK\$'M	31 December 2015 HK\$'M
Trade receivables	15.0	14.1
Deferred rent receivables	7.9	12.2
Amounts due from and loans to joint ventures	850.7	637.2
Other receivables, deposits and prepayments	80.4	87.8
Deposit paid for acquisition of land	25.0	25.0
	<u>979.0</u>	<u>776.3</u>

## 11. Trade and other receivables, deposits and prepayments (Continued)

The Group allows different credit periods to its customers. Credit periods vary from 30 to 90 days in accordance with industry practice. Sales proceeds receivable from sale of properties are settled in accordance with the terms of respective contracts. The following is an ageing analysis of the Group's trade receivables (net of provision) at the balance sheet date, based on the invoice dates:

	30 June 2016 HK\$'M	31 December 2015 HK\$'M
0 - 30 days	10.8	8.3
31 - 90 days	1.4	5.1
Over 90 days	2.8	0.7
	<u>15.0</u>	<u>14.1</u>

## 12. Trade and other payables and accruals

	30 June 2016 HK\$'M	31 December 2015 HK\$'M
Trade payables	14.7	8.2
Properties sale deposits received	4.4	3.5
Rental deposits received	184.9	175.4
Construction costs payables	67.0	64.1
Amounts due to joint ventures	92.5	40.0
Other creditors and accruals	143.9	144.5
	<u>507.4</u>	<u>435.7</u>

The ageing analysis of the Group's trade payables based on invoice date at the balance sheet date is as follows:

	30 June 2016 HK\$'M	31 December 2015 HK\$'M
0 - 30 days	14.0	7.0
31 - 90 days	0.2	1.1
Over 90 days	0.5	0.1
	<u>14.7</u>	<u>8.2</u>

### **13. Events occurring after the balance sheet date**

(a) In July 2016, the Group entered into a sale and purchase agreement with a third party to dispose of its entire 50% interests in a joint venture of Upper Riverside in Shanghai. The total consideration receivable by the Group under the sale and purchase agreement is approximately HK\$458M and the estimated gain on disposal is approximately HK\$35M.

(b) Subsequent to the balance sheet date, the Group acquired a site at Tuen Mun Town Lot No. 523 at Castle Peak Road – Tai Lam, Tuen Mun from the Government of the Hong Kong Special Administrative Region with a maximum floor area of approximately 294,000 square feet for residential development. Land premium is approximately HK\$982M. The Group owns 70% equity interest in the project.

### **14. Non-current assets classified as assets held for sale**

As stated in Note 13(a) to the Interim Financial Information, the Group entered into a sale and purchase agreement, subsequent to the balance sheet date, to sell its entire interest in a joint venture.

Non-current assets classified as assets held for sale at 30 June 2016 include investment in a joint venture, loan to a joint venture and amount due from a joint venture amounting to HK\$439.2M.

### **15. Review of interim financial information**

The Interim Financial Information for the six months ended 30 June 2016 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 2016 (2015: HK4.2 cents). The interim dividend will be distributed on or around 5 October 2016 to the shareholders whose names appear on the register of members of the Company at the close of business on 15 September 2016 (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 15 September 2016.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

In the first half of 2016, the Group's revenue was HK\$468 million compared with HK\$540 million in 2015. Consolidated profit attributable to equity holders was HK\$300 million, a decrease of HK\$169 million compared with HK\$469 million in 2015. 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.

#### Property Development

The property development segment revenue was HK\$26 million in the first half of 2016 compared with HK\$115 million 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.

##### *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 for 103 residential units and 2 retail shops on the ground floor. Cumulatively, as at 30 June 2016, around 90% of the residential units were sold and all retail shops were leased.

The Pierre, located at 1 Coronation Terrace, Mid-Levels West, is a residential project with a saleable area of approximately 29,000 square feet for 77 units. Cumulatively, as at 30 June 2016, around 95% of the residential units were sold.

The site in Shau Kei Wan, a prime harbour-front residential site, has a gross floor area of approximately 46,000 square feet. Superstructure work has commenced and the project is scheduled for completion in 2018.

The site in Siu Sau, Castle Peak Road, Tuen Mun, a low-density residential site, has a gross floor area of approximately 159,000 square feet. Foundation work and site formation work have commenced and the project is scheduled for completion by 2019.

The site in So Kwun Wat Road, Tuen Mun, a medium-density residential site, has a gross floor area of approximately 264,000 square feet. Ground investigation work has commenced and the project is scheduled for completion in 2021.

##### *Majority-owned project*

In June 2016, the Group 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 Group has a 70% interest and the site was in possession in July 2016.



### *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 the first half of 2016, around 2%, 2% and 1% of the residential units of Providence Bay, Providence Peak and The Graces were sold, respectively. Cumulatively, as at 30 June 2016, around 87%, 94% and 96% of the residential units of Providence Bay, Providence Peak and The Graces were sold, respectively.

The Group has a 50% interest in Homantin Hillside, located at Hung Hom, which is in close proximity to the upcoming Ho Man Tin MTR station of the Kwun Tong Line Extension (scheduled to open in the last quarter of 2016) and the Shatin to Central Link. The project has a saleable area of approximately 128,000 square feet for 173 residential units. In the first half of 2016, around 9% of the residential units were sold. Cumulatively, as at 30 June 2016, around 54% of the residential units were sold. The occupation permit was obtained in June 2016 and the sold units are expected to be handed over to the buyers in the second half of 2016. The Group is the lead project manager and lead sales and marketing manager for this project.

The Group has two low-density residential projects in Kau To, Shatin. 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. Superstructure work has commenced and the projects are scheduled for completion in 2017.

### **Property Investment and Management**

The property investment and management segment revenue was HK\$366 million in the first half of 2016, an increase of HK\$24 million compared with HK\$342 million in 2015. Segment profit before taxation (including fair value changes) was HK\$415 million, a decrease of HK\$88 million compared with HK\$503 million in 2015. Excluding fair value changes in investment properties and financial instruments, segment profit before taxation was 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.

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

As at 30 June 2016, 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 around HK\$18,500 million.

Landmark East is the Group's flagship property located in Kowloon East. This 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 and 454 car parking spaces. As at 30 June 2016, the property achieved an occupancy of approximately 98%. An average rental upward reversion of approximately 33% was achieved for the leases renewed during the period under review. Around 30% of leases will expire in the second half of 2016 and will be subject to renewal on prevailing market terms.

Located at Hennessy Road in the heart of Wan Chai, W Square offers a gross floor area of approximately 129,000 square feet of office and retail space. As at 30 June 2016, the property achieved an occupancy of approximately 96%.

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 2016, the two properties achieved an average occupancy of approximately 83%.

#### *Wholly-owned properties in London, the United Kingdom*

The commercial property located at Savile Row/ Vigo Street, West End, has a net internal area of approximately 14,000 square feet of Grade A office and retail space. As at 30 June 2016, the property achieved full occupancy.

The high-end commercial property located at Brook Street, West End, offers easy access to the upcoming Bond Street Station of London Crossrail and has a net internal area of approximately 19,000 square feet of Grade A office and retail space. As at 30 June 2016, the property achieved full occupancy.

The commercial property located at Berkeley Square, West End, has a net internal area of approximately 7,900 square feet of Grade A office space. As at 30 June 2016, the property achieved an occupancy of approximately 74%.

#### *Joint venture properties in London, the United Kingdom*

The Group has a 25% interest in a commercial property located at Fleet Place, the City. The property has a net internal area of approximately 186,000 square feet of Grade A office and retail space. As at 30 June 2016, the property achieved full occupancy.

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

#### *Joint venture property in China*

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

The hospitality investment and management segment revenue was HK\$65 million in the first half of 2016 compared with HK\$71 million in 2015. Segment profit before taxation (including fair value changes) was HK\$8 million in 2016, compared with a loss of HK\$21 million in 2015. 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 recorded a stable occupancy but average rental rates were under pressure in line with the continued softening hotel market.

The Group has a 50% interest in Lanson Place Bukit Ceylon Serviced Residences in Kuala Lumpur, which recorded stable occupancy but average rental rates, however, were under pressure due to a 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.

Lanson Place Hospitality Management and the properties under the brand continue to be well recognised by travelers. Lanson Place Hotel in Hong Kong was awarded “2016 Certificate of Excellence” by TripAdvisor. Lanson Place Bukit Ceylon Serviced Residences in Kuala Lumpur won the “Gold Award” in Hotels.com Loved by Guest Awards 2016.

## Others

This segment represents investing activities and unallocated corporate expenses including central management and administrative function. Segment revenue was HK\$11 million in the first half of 2016, same as 2015. Segment loss before taxation (including fair value changes) was HK\$33 million in the first half of 2016, a decrease of HK\$9 million compared with HK\$42 million in 2015. Excluding fair value changes in financial instruments, segment loss before taxation was HK\$24 million in the first half of 2016, a decrease of HK\$28 million compared with HK\$52 million in 2015 due to an absorption of more corporate expenses by various business segments.

## FINANCIAL REVIEW

### Liquidity and Financial Resources

The Group's net assets was HK\$23,578 million as at 30 June 2016 (31 December 2015: HK\$23,347 million). The increase of HK\$231 million is mainly resulted from the profit for the period of HK\$300 million and a net fair value gain arising from the revaluation of available-for-sale financial assets of HK\$72 million, offset by the distribution of the 2015 final dividend of HK\$145 million.

As at 30 June 2016, the Group's bank and other borrowings totaled HK\$3,925 million (31 December 2015: HK\$3,766 million). The maturity profile of the Group's bank and other borrowings is set out below:

	30 June 2016		31 December 2015	
	HK\$ million	%	HK\$ million	%
Repayable:				
Within one year	492	13%	440	12%
Between one to two years	315	8%	490	13%
Between two to five years	1,220	31%	983	26%
After five years	1,898	48%	1,853	49%
	<u>3,925</u>	<u>100%</u>	<u>3,766</u>	<u>100%</u>

As at 30 June 2016, the Group's net borrowings (total bank borrowings and fixed rate bonds less bank balances and cash) were HK\$3,253 million (31 December 2015: HK\$1,692 million), representing 13.8% of the Group's net assets (31 December 2015: 7.2%). 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 will closely monitor the exposure of interest rate fluctuation, and if appropriate, hedge by interest rate swap contracts to the extent desirable.

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

	30 June 2016	31 December 2015
	HK\$ million	HK\$ million
Bank balances and cash	672	2,074
Unutilised revolving loan facilities	<u>2,204</u>	<u>2,194</u>
	<u>2,876</u>	<u>4,268</u>

### Foreign Currencies

The Group principally operates in Hong Kong, and as a result, has immaterial exposure to exchange rate fluctuation. The Group conducts its business mainly in Hong Kong dollars, and to a lesser extent Renminbi, UK pounds, Singapore dollars and Malaysia Ringgits. For transactions in foreign currencies, the Group will closely monitor the exposure, and if appropriate, hedge by local currency financing and other financial instruments to the extent desirable. In particular, exposure to investments in foreign operations in the United Kingdom is substantially covered by local currency financing and forward exchange contracts.

## **Contingent Liabilities**

As at 30 June 2016, the Group had contingent liabilities of HK\$2,539 million (31 December 2015: HK\$3,135 million) in respect of guarantees given by the Company for banking facilities granted to certain joint ventures. The guarantees were given severally and in proportion to the Group's equity interests in the joint ventures.

## **Pledge of Assets**

As at 30 June 2016, the Group's advances to joint ventures was HK\$1,129 million (31 December 2015: HK\$1,693 million) were subordinated to the loan facilities of joint ventures and assigned. The shares in these joint ventures beneficially owned by the Group are pledged to the financial institutions.

As at 30 June 2016, several of the Group's investment properties, properties for sale and other financial assets with carrying values of HK\$5,070 million, HK\$1,198 million and HK\$296 million respectively were pledged to secure credit facilities for the Group.

## **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.

## **EMPLOYEES**

As at 30 June 2016, the Group had approximately 520 employees. The Group offers comprehensive remuneration and benefit packages to its employees, which are structured according to prevailing salary levels in the market, individual merit and performance. The Group has a mandatory provident fund scheme and an occupational retirement scheme to provide retirement benefits to all employees in Hong Kong.

Employees, including directors, are eligible for the Company's share incentive scheme and share option plan where the incentive shares or share options are generally exercisable by phases within ten years.

## **OTHER INFORMATION**

### **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 applied the principles and 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 2016.

### **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.

The Company has made specific enquiry of all directors regarding any non-compliance with the Model Code during the six months ended 30 June 2016, and received confirmations from all the directors that they had fully complied with the required standard set out in the Model Code throughout the six months.

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

During the six months ended 30 June 2016, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares.

### **INTERIM REPORT**

The 2016 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 19 September 2016.

By Order of the Board  
**WING TAI PROPERTIES LIMITED**  
**Chung Siu Wah, Henry**  
*Company Secretary & Group Legal Counsel*

Hong Kong, 30 August 2016

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, Chow Wai Wai, John and Ng Kar Wai, Kenneth

*Non-Executive Directors:*

Kwok Ping Luen, Raymond (Kwok Ho Lai, Edward 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