

Wing Tai Properties Announces 2016 Annual Results

Solid Residential Sales and Growing Recurring Income Supportive of Solid Full Year Results Optimising Resources Allocation for Portfolio Expansion and Enhancement to Drive Further Growth

23 March 2017, 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 2016.

During the year, the Group’s revenue was HK\$1,103 million compared with HK\$1,009 million in 2015. Consolidated profit attributable to equity holders was HK\$1,147 million, an increase of HK\$48 million compared with HK\$1,099 million in 2015. The increase was mainly attributable to higher property development profits and upward rental reversions of commercial investment properties of the Group. Earnings per share stood at HK\$0.85.

The Board of Directors has recommended a final dividend of HK13.8 cents per share (2015: HK10.8 cents). Together with an interim dividend of HK4.2 cents per share (2015: HK4.2 cents), total dividend for the full year will be HK18.0 cents per share (2015: HK15.0 cents), a 20% increase from 2015.

Mr. Edward Cheng, Deputy Chairman and Chief Executive of Wing Tai Properties Limited, said, “In 2016, we remained steadfast in our business strategy to build and strengthen our three strategic pillars of business – property development, property investment and management, and hospitality investment and management, which have provided us with a solid base of balanced earnings that can deliver sustainable growth over time. As we forge ahead, we are committed to growing our land bank and project development pipeline as well as expanding our recurring income base through asset acquisitions and enhancements that fit with our stated growth strategy.”

Mr. Cheng added, “We uphold a healthy balance sheet and maintain a strong capital structure. These make certain that our business is always well placed, with ample resources to take advantage of a breadth of market opportunities as they arise in the Asian region and beyond.”

BUSINESS REVIEW

Property Development

In 2016, revenue and profit before taxation generated from the property development segment were HK\$213 million and HK\$51 million, respectively.

For the Group's wholly-owned projects, around 6% of the residential units of The Warren and around 4% of the residential units of The Pierre were sold in 2016. Cumulatively, as at 31 December 2016, The Warren and The Pierre sold up to around 96% and 99% of their residential units, respectively.

Superstructure work has commenced for the prime harbour-front residential site located at Shau Kei Wan, and the project is scheduled for completion in 2018. Equally, foundation work and site formation work are underway for the site in Siu Sau, Castle Peak Road, and the project is scheduled for completion by 2019. As to the site on So Kwun Wat Road, Tuen Mun, ground investigation work has completed and tender for foundation work is in progress. The project is scheduled for completion in 2021.

In June 2016, Wing Tai further won a government tender for a medium-density residential site at Castle Peak Road - Tai Lam, which is adjacent to the Siu Sau site. The project, in which the Group has a 70% interest, has kicked off ground investigation work, and is scheduled for completion in 2022. To date, the Group is holding three residential sites with a gross project size close to 720,000 square feet in Tuen Mun district. With the continuous expansion of the land bank, this will extend the Group's development pipeline beyond 2022.

Among the joint venture projects, the Group re-launched Homantin Hillside, in which it has a 50% interest, in Hung Hom upon obtaining an occupation permit in June and successfully sold all the remaining typical units and half of the car parking spaces at record-high prices in 2016.

The Group also has a 35% interest in two low-density residential projects in Kau To, Shatin, which are formally named Le Cap and La Vetta. Superstructure work has begun, and the projects are scheduled for completion in 2017.

Property Investment and Management

In 2016, revenue and profit before taxation generated from the property investment and management segment were HK\$737 million and HK\$1,225 million, respectively. Excluding fair value changes in investment properties and financial instruments as well as a one-off disposal gain of HK\$35 million on a joint venture investment, segment profit before taxation was HK\$457 million in 2016, an increase of HK\$33 million compared with HK\$424 million in 2015 due to continued growth in rental rates.

As at 31 December 2016, 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 around HK\$19,000 million.

In Hong Kong, the Group's flagship Grade A office property in Kowloon East – Landmark East – achieved an occupancy of approximately 93% as at 31 December 2016. An average rental upward reversion of around 30% was achieved for the leases renewed during the year.

As at 31 December 2016, W Square, located at Hennessy Road in the heart of Wan Chai, achieved full occupancy whereas the two industrial buildings of Winner Godown Building and Shui Hing Centre attained an average occupancy of approximately 86%.

Capitalising on the opportunity offered by the development of the Kowloon East CBD, Wing Tai submitted a revitalisation plan to convert Shui Hing Centre in Kowloon Bay into office use during the year.

In London, the Group currently has investments in five office properties. For wholly-owned projects, the three properties located at Savile Row/ Vigo Street, Brook Street as well as Berkeley Square in West End achieved an average occupancy of approximately 94% as at 31 December 2016.

The commercial property located at Fleet Place in the City of London, in which the Group has a 25% interest, achieved full occupancy as at 31 December 2016.

Earlier in 2016, the Group also acquired a 33% interest in a 6-storey property located at Cavendish Square, West End. The property is currently undergoing refurbishment and expansion works which are scheduled for completion in the first half of 2018.

In mainland China, the Group disposed of its entire 50% interest in Upper Riverside, a luxury apartment project located at Pudong, Shanghai. The transaction was completed in August 2016 with an estimated gain of approximately HK\$35 million.

Hospitality Investment and Management

In 2016, revenue and loss before taxation generated from the hospitality investment and management segment were HK\$131 million and HK\$3 million, respectively. Excluding fair value changes in investment properties and financial instruments, as well as a one-off disposal gain of HK\$58 million on investment in an associate in 2015 only, segment profit before taxation was HK\$22 million, compared with HK\$20 million in 2015.

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. Lanson Place Bukit Ceylon Serviced Residences in Kuala Lumpur, in which the Group has a 50% interest, recorded both growing occupancy and average rental rates.

Additionally, the Group signed up a 10-year management contract to manage a serviced residence project of 213 units at Two MacDonnell Road in Mid-Levels, Hong Kong, and an 8-year management contract to manage a serviced residence project of 162 units situated in the main financial district of Luomashi, Chengdu. The latter project is targeted to open in the first half of 2017.

The contract for managing Lanson Place Jinlin Tiandi Serviced Residences in Puxi, Shanghai, was extended for another 7 years. Lanson Place Central Park Serviced Residences in Beijing ceased its serviced residences operation instead upon completion of contract in June 2016.

PROSPECTS

Looking ahead, Hong Kong's economy is set to be affected by the upcoming Chief Executive election in the territory and by global uncertainties following the Brexit vote and the new Trump Administration in the US. Any substantial step-up in the US interest rate hikes and tightening of capital outflows by the Beijing authorities may slow the current robust primary residential market, even though the Group expects the market can sustain itself in the near term with mortgage interest rates being at their lows and domestic pent-up demand remaining strong.

In 2017, the Group is looking to complete and launch its two luxury residential projects at Kau To Shan – Le Cap and La Vetta, and will capture the right market windows to steadily sell the remaining units of the existing completed projects.

On the commercial property front, Landmark East is expected to continue to enjoy positive rental growth upon rent review or lease renewals despite an increase in office supply in Kowloon East in 2017. Upon completion of the Shui Hing revitalisation (pending approval) and Cavendish Square modernisation work, the Group's recurring rental income and capital value will be further enhanced after 2018.

As always, the Group will continue to exercise prudent financial management to optimise its resource allocation for expansion and enhancement of its asset portfolio with the aim of further growing its development pipeline and recurring rental income base.

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About Wing Tai Properties Limited

The business of Wing Tai Properties Limited (SEHK stock code: 369) spans three core areas: property development under the Wing Tai Asia brand; property investment and management arm; and the hospitality investment and management arm under its Lanson Place brand in Hong Kong, Shanghai, Chengdu, Singapore and Kuala Lumpur. Wing Tai Properties has been listed on The Stock Exchange of Hong Kong Limited since 1991.

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CONSOLIDATED INCOME STATEMENT

	Year ended 31 December	
	2016	2015
	HK\$'M	HK\$'M
Revenue	1,103.3	1,009.2
Cost of sales	(279.1)	(264.3)
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Gross profit	824.2	744.9
Other gains, net	30.1	71.2
Selling and distribution costs	(45.4)	(37.0)
Administrative expenses	(296.0)	(280.1)
Change in fair value of investment properties and financial instruments	709.6	704.7
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Profit from operations	1,222.5	1,203.7
Finance costs	(65.1)	(106.5)
Finance income	22.0	14.7
Share of results of joint ventures	80.0	72.4
Share of results of associates	1.0	(2.0)
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Profit before taxation	1,260.4	1,182.3
Taxation	(111.2)	(83.2)
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Profit for the year	1,149.2	1,099.1
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Profit attributable to:		
Equity holders of the Company	1,146.5	1,099.1
Non-controlling interests	2.7	-
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Earnings per share attributable to equity holders of the Company		
- Basic	HK\$0.85	HK\$0.82
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- Diluted	HK\$0.85	HK\$0.82
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CONSOLIDATED BALANCE SHEET

	2016	2015
	HK\$'M	HK\$'M
ASSETS AND LIABILITIES		
Non-current assets		
Investment properties	21,972.1	21,448.8
Other properties, plant and equipment	55.0	55.9
Investments in joint ventures	562.4	490.0
Loans to joint ventures	1,775.7	1,649.7
Investments in associates	5.4	5.1
Loans to associates	14.8	14.8
Deposits and loan receivables	0.3	15.1
Other financial assets	372.6	358.3
Deferred tax assets	8.1	6.5
Derivative financial instruments	13.5	3.4
	<u>24,779.9</u>	<u>24,047.6</u>
Current assets		
Properties for sale	3,489.7	1,295.6
Trade and other receivables, deposits and prepayments	813.1	776.3
Derivative financial instruments	9.2	11.2
Sales proceeds held in stakeholders' accounts	0.9	-
Tax recoverable	0.5	1.4
Restricted bank deposits	-	14.6
Bank balances and cash	1,682.8	2,074.2
	<u>5,996.2</u>	<u>4,173.3</u>
Current liabilities		
Trade and other payables and accruals	633.5	435.7
Derivative financial instruments	18.3	19.0
Tax payable	30.6	48.6
Bank and other borrowings	477.1	439.6
	<u>1,159.5</u>	<u>942.9</u>

CONSOLIDATED BALANCE SHEET (Continued)

	2016 HK\$'M	2015 HK\$'M
Non-current liabilities		
Bank and other borrowings	4,707.7	3,326.7
Other long-term liability	62.7	73.7
Derivative financial instruments	207.9	239.5
Deferred tax liabilities	326.2	290.8
	<u>5,304.5</u>	<u>3,930.7</u>
NET ASSETS	<u>24,312.1</u>	<u>23,347.3</u>
EQUITY		
Equity attributable to equity holders of the Company		
Share capital	671.7	670.6
Reserves	23,636.9	22,675.7
	<u>24,308.6</u>	<u>23,346.3</u>
Non-controlling interests	3.5	1.0
TOTAL EQUITY	<u>24,312.1</u>	<u>23,347.3</u>