

Wing Tai Properties Announces 2017 Annual Results

Revenue and Profit Post Resilient Growth Land Acquisition in Prime Location Enhances Portfolio and Drives Further Opportunities

23 March 2018, 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 2017.

During the year, the Group’s revenue was HK\$1,064 million compared with HK\$1,103 million in 2016. Consolidated profit attributable to shareholders was HK\$1,982 million, an increase of HK\$835 million compared with HK\$1,147 million in 2016. The increase was mainly attributable to disposal gains on investment properties in Hong Kong of HK\$661 million and a higher fair value gain on investment properties and financial instruments of HK\$883 million in 2017 compared with HK\$710 million in 2016.

The Board of Directors has recommended a final dividend of HK22.5 cents per share (2016: HK13.8 cents). Together with an interim dividend of HK4.5 cents per share (2016: HK4.2 cents), the total dividend for the full year will be HK27.0 cents per share (2016: HK18.0 cents), a 50% increase from 2016.

Mr. Edward Cheng, Deputy Chairman and Chief Executive of Wing Tai Properties Limited, said, “2017 was an eventful year for Wing Tai as we continued to advance our strategic goals of growing a balanced yet diversified portfolio of residential, commercial and hospitality assets that allows for both growth and income, and of developing and enhancing the value of our properties to maximise returns for all shareholders. While we stayed focused on our development pipeline and moved ahead with our projects and plans, we are excited to have acquired a prime commercial complex site in Central, expanding and enhancing further our portfolio of Grade A office and luxury hotel properties in a timely manner. Forming an integral part of a mega-redevelopment initiative in the heart of Hong Kong instigated by the Urban Renewal Authority, the project presents a unique opportunity for us to craft a new Central of the city by putting our sustainability ethos into concrete actions on multiple fronts.”

BUSINESS REVIEW

Property Development

In 2017, revenue and profit before taxation generated from the property development segment were HK\$140 million and HK\$44 million, respectively.

Wholly-owned projects

For the Group's wholly-owned projects, all the remaining residential units of The Pierre and The Warren were sold.

Superstructure work for the prime harbour-front residential site in Shau Kei Wan is making good progress. The project obtained its pre-sale consent in July 2017 and is scheduled for completion in 2018. Equally, superstructure work for the low-density residential site in Siu Sau, Tai Lam, Tuen Mun, has commenced. Newly named as The Carmel, the project is scheduled for completion in 2019. As to the medium-density residential site on So Kwun Wat Road, Tuen Mun, foundation work and site formation work are underway. The project is scheduled for completion in 2021.

Majority-owned and joint venture projects

In October 2017, the Group led a joint venture and won the tender for a commercial complex site in Central, Site C of the Gage Street/Graham Street project as put up by the Urban Renewal Authority. Located in the heart of the bustling Central financial hub, the site will be developed into a Grade A office tower, a hotel, retail shops and public open space with green facilities. The project is currently undergoing its planning stage.

Among other joint venture projects, around 5% of the residential units of Homantin Hillside, in which the Group has a 50% interest, in Hung Hom were sold in 2017. Cumulatively, as at 31 December 2017, around 97% of the residential units were sold. Besides, the Group has a 15% interest in each of Providence Bay, Providence Peak and The Graces located in Pak Shek Kok, Tai Po. Cumulatively, as at 31 December 2017, around 99% of the residential units of Providence Bay, Providence Peak and The Graces were sold.

Moreover, the Group has a 35% interest in two low-density residential projects, Le Cap and La Vetta, located in Kau To, Shatin. Le Cap and La Vetta obtained their occupation permits in July 2017 and March 2018, respectively, whereas pre-sale consents for the two projects were also awarded in September and November 2017, respectively. Both Le Cap and La Vetta are scheduled for completion in 2018.

Furthermore, ground investigation work for the medium-density residential site situated on Castle Peak Road, Tai Lam, Tuen Mun, has completed. The project, in which the Group has a 70% interest, is scheduled for completion in 2022.

Property Investment and Management

In 2017, revenue and profit before taxation generated from the property investment and management segment were HK\$776 million and HK\$1,984 million, respectively. Excluding fair value changes in investment properties and financial instruments, one-off disposal gains of HK\$661 million on investment properties in 2017, and a one-off disposal gain on investment in a joint venture in 2016, segment profit before taxation was HK\$489 million in 2017, an increase of HK\$32 million compared with HK\$457 million in 2016 on the back of continued growth in rental rates.

As at 31 December 2017, following the disposal of Winner Godown Building, the Group's portfolio of investment properties, comprising 1.5 million square feet of Grade A office buildings and 0.2 million square feet of industrial building, has an aggregate fair market valuation of around HK\$18,400 million.

Hong Kong

The Group's flagship Grade A office property in Kowloon East – Landmark East – achieved an occupancy of approximately 99% as at 31 December 2017. An average rental upward reversion of approximately 7% was achieved for leases renewed during the year. Shui Hing Centre, the Group's industrial property in Kowloon Bay, achieved an occupancy of approximately 93% as at 31 December 2017.

In December 2017, the Group disposed of its entire interest in Winner Godown Building at a consideration of approximately HK\$2,163 million, net of commission. Total gain over historic cost was HK\$1,679 million, comprising a cumulative fair value gain of HK\$1,020 million realised and a disposal gain of HK\$659 million recorded in 2017 consolidated income statement. Final proceeds will be completed by March 2018.

Subsequent to this year end, in January 2018, the Group disposed of its entire interest in W Square, at a consideration of approximately HK\$2,850 million. Total gain over historic cost will stand at HK\$1,965 million, comprising a cumulative fair value gain of HK\$1,241 million realised and a disposal gain of HK\$724 million, subject to completion adjustment, to be recorded in 2018 consolidated income statement. The disposal is scheduled for completion by June 2018.

United Kingdom and Mainland China

In London, the Group's three wholly-owned commercial properties located at Savile Row/Vigo Street, Brook Street as well as Berkeley Square, all in West End, achieved an average occupancy of approximately 75% as at 31 December 2017.

As at 31 December 2017, the commercial property located on Fleet Place, the City, in which the Group has a 25% interest, achieved full occupancy. Additionally, the Group has a 33% interest in a commercial property at Cavendish Square. The property is currently vacant under refurbishment and expansion works, which are scheduled for completion in the first half of 2018.

In Beijing, the Group has 33 units at Central Park. As at 31 December 2017, approximately 91% of the units were leased.

Hospitality Investment and Management

In 2017, revenue and profit before taxation generated from the hospitality investment and management segment were HK\$127 million and HK\$27 million, respectively. Excluding fair value changes in investment properties and financial instruments, segment profit before taxation was HK\$26 million in 2017, an increase of HK\$13 million compared with HK\$13 million in 2016.

During the year, Lanson Place Hotel in Hong Kong recorded an improved occupancy and stable average rental rates. Lanson Place Bukit Ceylon Serviced Residences in Kuala Lumpur, in which the Group has a 50% interest, also recorded a stable occupancy and average rental rates.

Lanson Place currently manages nine third-party serviced residences, of which five are in Shanghai. Other serviced residences are located in Hong Kong, Singapore, Kuala Lumpur and Chengdu. The new Tianfu Square Serviced Suites by Lanson Place, located at the main financial district of Luomashi, Chengdu, officially opened in October 2017.

PROSPECTS

Hong Kong's economy experienced steady growth in 2017. This year, barring unforeseen global political and economic issues, including possibilities of trade war, the Hong Kong economy is expected to continue its growth with the help of improving exports and retail sales, an increase in tourist arrivals, and closer economic ties between the cities in the Pearl River Delta region and Hong Kong under the Greater Bay Area Development.

We expect the local property market, discounting the probability of further US rate hikes, would maintain its current level, along with strong domestic pent-up demand amid a supply shortage and ample bank liquidity.

On the residential front, we will focus on preparing the launch of Le Cap, La Vetta and The Carmel.

Regarding project development, we will start the master planning for the composite development at Gage Street/Graham Street, Central. For our investment properties in Hong Kong and Central London, we will continue to develop and grow our portfolio with the aim of maximising the rental and capital values of these quality assets.

In Hong Kong, we expect Landmark East to maintain a steady rental rate and occupancy level given its market-leading position in the continued expansion of Kowloon East as the new CBD. Landmark East will bring in a sustainable, solid stream of recurring income for the Group.

We will receive the sales proceeds from the disposal of our two investment properties in the first half of 2018. With a sound financial position, we will actively and selectively look for further expansion opportunities to grow our land bank and enhance our investment portfolio.

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About Wing Tai Properties Limited

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

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CONSOLIDATED INCOME STATEMENT

	Year ended 31 December	
	2017	2016
	HK\$'M	HK\$'M
Revenue	1,064.3	1,103.3
Cost of sales	(236.5)	(279.1)
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Gross profit	827.8	824.2
Other gains, net	16.7	30.1
Selling and distribution costs	(45.8)	(45.4)
Administrative expenses	(310.9)	(296.0)
Change in fair value of investment properties and financial instruments	882.5	709.6
Gains on disposal of investment properties	661.2	-
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Profit from operations	2,031.5	1,222.5
Finance costs	(73.1)	(65.1)
Finance income	34.2	22.0
Share of results of joint ventures	101.5	80.0
Share of results of associates	6.9	1.0
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Profit before taxation	2,101.0	1,260.4
Taxation	(98.6)	(111.2)
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Profit for the year	2,002.4	1,149.2
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Profit for the year attributable to:		
Shareholders of the Company	1,981.9	1,146.5
Holders of perpetual capital securities	18.4	-
Non-controlling interests	2.1	2.7
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Earnings per share attributable to shareholders of the Company		
- Basic	HK\$1.47	HK\$0.85
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- Diluted	HK\$1.47	HK\$0.85
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CONSOLIDATED BALANCE SHEET

	At 31 December	
	2017	2016
	HK\$'M	HK\$'M
ASSETS AND LIABILITIES		
Non-current assets		
Investment properties	19,317.1	21,972.1
Other properties, plant and equipment	78.7	55.0
Investments in joint ventures	661.7	562.4
Loans to joint ventures	6,070.7	1,775.7
Investments in associates	14.7	5.4
Loans to associates	14.7	14.8
Deposits and loan receivables	-	0.3
Available-for-sale financial assets	529.9	372.6
Deferred tax assets	13.4	8.1
Derivative financial instruments	49.3	13.5
	26,750.2	24,779.9
Current assets		
Properties for sale	3,856.2	3,489.7
Trade and other receivables, deposits and prepayments	2,102.7	813.1
Derivative financial instruments	0.5	9.2
Sales proceeds held in stakeholders' accounts	-	0.9
Tax recoverable	0.6	0.5
Bank balances and cash	654.2	1,682.8
	6,614.2	5,996.2
Assets classified as held for sale	2,131.7	-
	8,745.9	5,996.2
Current liabilities		
Trade and other payables and accruals	912.3	633.5
Derivative financial instruments	25.2	18.3
Tax payable	43.3	30.6
Bank and other borrowings	1,401.5	477.1
	2,382.3	1,159.5
Liabilities directly associated with assets classified as held for sale	39.3	-
	2,421.6	1,159.5

CONSOLIDATED BALANCE SHEET (Continued)

	At 31 December	
	2017	2016
	HK\$'M	HK\$'M
Non-current liabilities		
Bank and other borrowings	4,782.6	4,707.7
Other long-term liability	57.7	62.7
Derivative financial instruments	101.4	207.9
Deferred tax liabilities	322.9	326.2
	<u>5,264.6</u>	<u>5,304.5</u>
NET ASSETS	<u>27,809.9</u>	<u>24,312.1</u>
EQUITY		
Shareholders' funds		
Share capital	673.1	671.7
Reserves	25,616.8	23,636.9
	<u>26,289.9</u>	<u>24,308.6</u>
Perpetual capital securities	1,514.5	-
Non-controlling interests	5.5	3.5
	<u>27,809.9</u>	<u>24,312.1</u>
TOTAL EQUITY	<u>27,809.9</u>	<u>24,312.1</u>

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