

Wing Tai Properties Announce 2018 Annual Results

Solid performance despite Challenging Market Maintaining Strong Track Record of Underlying Businesses while Strengthening Balance Sheet Healthy Development Pipeline Supportive of Long-term, Resilient Growth

27 March 2019, 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 2018.

During the year, the Group’s revenue was HK\$885 million compared with HK\$1,064 million in 2017. Consolidated profit attributable to shareholders was HK\$1,312 million, a decrease of HK\$670 million compared with HK\$1,982 million in 2017. This was mainly attributable to a lower fair value gain on investment properties and financial instruments of HK\$254 million in 2018 compared with HK\$883 million in 2017.

The Board of Directors has recommended a final dividend of HK21.0 cents per share (2017: HK22.5 cents). Together with an interim dividend of HK6.0 cents per share (2017: HK4.5 cents), the total dividend for the full year will be HK27.0 cents per share (2017: HK27.0 cents), same as 2017.

Mr. Edward Cheng, Deputy Chairman and Chief Executive of Wing Tai Properties Limited, said, “In 2018, the Group reaped fruitful results as we focus on growing a portfolio that offers a solid base of predictable, recurring revenue from the investment/hospitality properties we own and manage, balanced by our premium residential developments that provide outperformance driven by dedicated management. While our residential projects in Hong Kong achieved remarkable sales performance posting record-high unit prices, our investment portfolio also expanded further capitalising on opportunities that complement our business strategy as well as our position in key gateway markets. These vindicated in our acquisition of 30 Gresham Street in London and our foray into Australia upon entering into a 10-year contract for the management of a luxury serviced residence project in the Melbourne CBD. This consistent strategy has allowed us to cement a strong presence in Hong Kong, London and other key gateway cities in Asia.”

BUSINESS REVIEW

Property Development

In 2018, revenue from the property development segment was HK\$32 million, compared with HK\$140 million in 2017. Segment loss before taxation was HK\$34 million compared with segment profit before taxation of HK\$44 million in 2017, mainly due to fewer property sales handed over in 2018 compared to 2017.

For the Group's wholly-owned projects, The Carmel, a low-density residential project located in Siu Sau, Tai Lam, Tuen Mun, obtained its pre-sale consent in November 2018. Pre-sale was launched the following January, attaining remarkable performance with apartment units nearly fully pre-sold. Besides, superstructure work has commenced at the medium-density residential site on So Kwun Wat Road, So Kwun Wat, Tuen Mun.

Among the joint venture projects, Le Cap and La Vetta in Kau To, Shatin, the two luxury low-density residential projects in which the Group has a 35% interest each, obtained their Certificates of Compliance in 2018. Around 25% and 9% of the residential units of the two projects were sold since their sales launches, respectively, during the year. Around 47% (in terms of number) of the sold units of Le Cap were handed over to buyers with related revenue recognised in 2018.

Furthermore, the Group is on schedule to complete the master planning process for the comprehensive development at the prime commercial site at Gage Street/Graham Street in Central, which comprises Grade A office tower, a hotel, retail shops and public open space. Foundation work is scheduled for commencement in the second quarter of 2019.

Property Investment and Management

Following the completion of disposals of two investment properties in Hong Kong, Winner Godown Building and W Square, revenue and profit before taxation from the property investment and management segment were HK\$674 million and HK\$1,407 million, respectively, in 2018. Excluding fair value changes in investment properties and financial instruments and a one-off disposal gain, segment profit before taxation was HK\$457 million, compared with HK\$501 million in 2017.

The transactions of Winner Godown Building and W Square at premium prices were completed in the first half of 2018, generating over HK\$5 billion cash inflow that further heightened the Group's balance sheet and financial flexibility for expansion.

As at 31 December 2018, the Group's portfolio of investment properties, mainly Grade A office buildings, has a total area of approximately 1,886,000 square feet with an aggregate attributable fair market valuation of around HK\$20,400 million. The portfolio encompasses 1,525,000 square feet in Hong Kong, 295,000 square feet in London and 6,200 square metre in Beijing.

In Hong Kong, Landmark East, the Group's flagship Grade A office complex located in Kowloon East, achieved an occupancy of approximately 93% as at 31 December 2018. Shui Hing Centre, an industrial building in Kowloon Bay, achieved an occupancy of approximately 95%.

In the United Kingdom, the Group expanded its investment portfolio in London upon the acquisition of 30 Gresham Street in December 2018, a prime Grade A office property enjoying full occupancy in the financial centre of London. This represents the Group's sixth commercial property in Central London.

As at 31 December 2018, the three wholly-owned commercial properties located at Savile Row/Vigo Street, Brook Street as well as Berkeley Square, all in the West End, achieved an average occupancy of approximately 92%. Besides, the commercial property on Fleet Place of the City, in which the Group has a 25% interest, achieved an occupancy of approximately 94%. The Group also has a 33% interest in a commercial property located at Cavendish Square, West End. The property completed its refurbishment and expansion works in the second half of 2018 and is scheduled for leasing.

In Mainland China, the Group has 33 residential units at Central Park, Beijing. Approximately 97% of units were leased as at 31 December 2018.

Hospitality Investment and Management

In 2018, revenue and profit before taxation generated from the hospitality investment and management segment were HK\$144 million and HK\$120 million, respectively. Excluding fair value changes in investment properties and financial instruments, segment profit before taxation was HK\$35 million in 2018 compared with HK\$26 million in 2017, mainly attributable to an increase in profit from hotel operations in Hong Kong.

During the year, in Hong Kong, Lanson Place Hotel registered improvement in both the occupancy and average room rate. The wholly-owned prime harbour-front development in Shau Kei Wan, now formally known as Waterfront Suites, also obtained occupation permit in August 2018.

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

In April 2018, the Group made its first foray into Australia upon entering into a 10-year management contract to operate a brand new luxury serviced apartment project in the city centre of Melbourne, which is scheduled to be completed in 2022. This marks Lanson Place's 12th managed property in the Asia Pacific region.

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.

PROSPECTS

In the light of the Sino-US trade disputes, uncertainties surrounding Brexit, a slowing growth in China's economy and various housing measures including the impending vacancy tax as laid down by the Hong Kong government, the operating environment for the Group's businesses remains challenging in 2019.

Hong Kong's economic fundamentals have stayed healthy by and large despite the potential downside risks. The solid pent-up demand from local homebuyers and investors from mainland China as well as a slower pace of interest rate hikes are expected to be supportive of the residential property market sentiment, which would remain positive in the near term. Only a moderate correction is anticipated in the overall property prices for the full year of 2019.

For residential development, the Group will continue the sales of further phases of Le Cap, La Vetta and The Carmel, while making full preparation for the pre-sale of Tuen Mun 497, a mid-density lifestyle development in So Kwun Wat, Tuen Mun.

Meanwhile, Waterfront Suites in Shau Kai Wan will be fully furnished and is scheduled for leasing in the second quarter of 2019. This will help create an additional stream of steady recurring income and cash flow for the Group going forward.

On office properties, in London, following the acquisition of 30 Gresham Street, the Group's recurring leasing income base has further been enhanced. In Hong Kong, Landmark East is set to benefit from its central location in Kwun Tong, strong tenant profile and well-maintained quality facilities, continuing to enjoy its dominance in the large floor plate segment of the market and deliver a steady leasing income.

Looking ahead, the Group is always keen to expand its land bank and broaden its asset portfolio in the residential, commercial and/or hospitality arenas, both in Hong Kong and other key gateway cities. With a healthy balance sheet, the Group will continue to uphold its selective yet active approach to capitalise upon long-term growth opportunities while maintaining the corporate core values of top quality and service.

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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	
	2018 HK\$'M	2017 HK\$'M
Revenue	884.7	1,064.3
Cost of sales	(175.3)	(236.5)
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Gross profit	709.4	827.8
Other gains, net	14.0	13.6
Selling and distribution costs	(33.9)	(45.8)
Administrative expenses	(312.8)	(310.9)
Change in fair value of		
– investment properties	348.4	834.1
– financial instruments	(94.9)	48.4
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	253.5	882.5
Gains on disposal of investment properties	-	661.2
Gain on disposal of subsidiaries	693.3	3.1
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Profit from operations	1,323.5	2,031.5
Finance costs	(58.4)	(73.1)
Finance income	46.4	34.2
Share of results of joint ventures	115.6	101.5
Share of results of associates	5.2	6.9
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Profit before taxation	1,432.3	2,101.0
Taxation	(52.8)	(98.6)
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Profit for the year	1,379.5	2,002.4
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Profit for the year attributable to:		
Shareholders of the Company	1,312.4	1,981.9
Holders of perpetual capital securities	65.7	18.4
Non-controlling interests	1.4	2.1
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	1,379.5	2,002.4
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Earnings per share attributable to shareholders of the Company		
– Basic	HK\$0.97	HK\$1.47
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– Diluted	HK\$0.97	HK\$1.47
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CONSOLIDATED BALANCE SHEET

	At 31 December	
	2018	2017
	HK\$'M	HK\$'M
ASSETS AND LIABILITIES		
Non-current assets		
Investment properties	20,459.4	19,317.1
Other properties, plant and equipment	74.1	78.7
Investments in joint ventures	1,920.7	661.7
Loans to joint ventures	3,835.7	6,070.7
Investments in associates	16.0	14.7
Loans to associates	22.4	14.7
Financial investments at amortised cost	335.5	-
Financial investments at fair value through profit or loss	553.8	-
Available-for-sale financial assets	-	529.9
Deferred tax assets	20.9	13.4
Derivative financial instruments	49.5	49.3
	27,288.0	26,750.2
Current assets		
Properties for sale	4,006.4	3,856.2
Trade and other receivables, deposits and prepayments	918.3	2,102.7
Financial investments at amortised cost	248.3	-
Financial investments at fair value through profit or loss	84.7	-
Derivative financial instruments	5.3	0.5
Tax recoverable	3.1	0.6
Bank balances and cash	2,873.6	654.2
	8,139.7	6,614.2
Assets classified as held for sale	-	2,131.7
	8,139.7	8,745.9

CONSOLIDATED BALANCE SHEET (Continued)

	At 31 December	
	2018	2017
	HK\$'M	HK\$'M
Current liabilities		
Trade and other payables and accruals	1,154.6	912.3
Derivative financial instruments	21.8	25.2
Tax payable	3.7	43.3
Bank and other borrowings	1,295.3	1,401.5
	<u>2,475.4</u>	<u>2,382.3</u>
Liabilities directly associated with assets classified as held for sale	-	39.3
	<u>2,475.4</u>	<u>2,421.6</u>
Non-current liabilities		
Bank and other borrowings	3,739.2	4,782.6
Other long-term liability	48.7	57.7
Derivative financial instruments	107.2	101.4
Deferred tax liabilities	335.3	322.9
	<u>4,230.4</u>	<u>5,264.6</u>
NET ASSETS	<u>28,721.9</u>	<u>27,809.9</u>
EQUITY		
Shareholders' funds		
Share capital	674.6	673.1
Reserves	26,526.7	25,616.8
	<u>27,201.3</u>	<u>26,289.9</u>
Perpetual capital securities	1,513.9	1,514.5
Non-controlling interests	6.7	5.5
TOTAL EQUITY	<u>28,721.9</u>	<u>27,809.9</u>

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