Wing Tai Properties Announces 2019 Interim Results

Businesses Demonstrated Resilience Against Turbulence

28 August 2019, Hong Kong - **Wing Tai Properties Limited** ("Wing Tai" or "the Group", SEHK stock code: 369) announced today the Group's unaudited consolidated results for the six months ended 30 June 2019.

In the first half of 2019, the Group's revenue was HK$424 million, compared with HK$470 million in 2018. Consolidated profit attributable to shareholders was HK$212 million, a decrease of HK$824 million, compared with HK$1,036 million in 2018. The decrease was mainly attributable to (i) a one-off disposal gain on W Square of HK$693 million in 2018, (ii) decrease in fair value gain on investment properties and financial instruments including joint ventures of HK$255 million (2019 registered a fair value loss of HK$27 million; 2018 registered a fair value gain of HK$228 million), offset by (iii) HK$99 million higher profit from the property development segment.

Consolidated profit attributable to shareholders, excluding one-off disposal gain and change in fair value on investment properties and financial instruments including joint ventures, was HK$239 million, an increase of HK$124 million, compared with HK$115 million in 2018.

The Board of Directors proposed to declare an interim dividend of HK6.0 cents per share (1H 2018: HK6.0 cents), or a total interim dividend payout of around HK$81.2 million (1H 2018: HK$80.9 million).

Mr. Edward Cheng, Deputy Chairman and Chief Executive of Wing Tai Properties Limited, said, "The solid demand from first-time home buyers, together with a soft interest rate environment, remained supportive to Hong Kong's primary residential sales in the first half. We are encouraged that the pre-sale of two residential projects launched in the period has received good market response, even against the accelerating social turmoil in Hong Kong starting around June. Meanwhile, our commercial properties portfolios in Hong Kong and London realised resilient performance. On the hospitality front, our premium brand Lanson Place heralded its entry into the Philippines, looking to operate a brand new hotel and serviced residence project in Pasay, Manila as early as 2022. As part of our strategic repositioning and expansion of asset portfolio, significant progress has been made in our extended presence in both the traditional CBD in Central and the growing CBD in Kowloon East."

BUSINESS REVIEW

Property Development

The property development segment revenue was HK$12 million in the first half of 2019, compared with HK$16 million in 2018. Segment profit before taxation was HK$29 million, compared with segment loss before taxation of HK$69 million in 2018. It was mainly due to the share of results of joint ventures HK$126 million in 2019, an increase of HK$121 million, compared with HK$5 million in 2018, as a result of more sold units of Le Cap and La Vetta having handed over to buyers during the period.

For the wholly-owned projects, The Carmel is a low-density residential site in Siu Sau, Tai Lam, Tuen Mun. Its pre-sale was launched in January 2019 and occupation permit was obtained in June 2019. As at 30 June 2019, around 78% (in terms of number) of the residential units were sold. OMA OMA, a medium-density residential site on So Kwun Wat Road, So Kwun Wat, Tuen Mun, has obtained pre-sale consent and its pre-sale was launched in June 2019. As at 30 June 2019 and the date of this announcement, around 30% and 50% (in terms of number) of the residential units were sold, respectively. Superstructure work is underway for both projects. Two projects are scheduled for completion in early 2020 and 2021, respectively.

Besides, the Group has a 70% interest in the site adjacent to The Carmel in Siu Sau, Tai Lam, Tuen Mun, a medium-density residential site. Foundation work and site formation work are in progress. The project is scheduled for completion in 2022.

Among the joint venture projects, the Group has a 35% interest in two low-density residential projects, Le Cap and La Vetta, located in Kau To, Shatin. In the first half of 2019, around 3% and 16% (in terms of number) of the residential units of Le Cap and La Vetta were sold, respectively. Cumulatively, as at 30 June 2019, around 28% and 25% (in terms of number) of the residential units of Le Cap and La Vetta were sold, respectively.

The Group has commenced foundation work in April 2019 for the commercial complex site with 50% interest at Gage Street/Graham Street in Central, which comprises a Grade A office tower, a hotel, retail shops and public open space.

Property Investment and Management

After the completion of the disposals of Winner Godown Building and W Square in the first half of 2018, revenue and profit before taxation from the property investment and management segment revenue were HK$315 million and HK$200 million, respectively, in the first half of 2019. Excluding fair value changes in investment properties and financial instruments including joint ventures, a one-off disposal gain in 2018 and contributions from the properties disposed in 2018, segment profit before taxation was HK$229 million, compared with HK$211 million in 2018. The increase was mainly attributable to leasing profit from 30 Gresham Street, London, which was acquired in 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$20,500 million as at 30 June 2019.

In Hong Kong, Landmark East, the Group's flagship Grade A office complex located in Kowloon East, achieved an occupancy of approximately 97% as at 30 June 2019. Shui Hing Centre, an industrial building in Kowloon Bay achieved an occupancy of approximately 98%.

In London, 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 98% as at 30 June 2019. Besides, the commercial property on Fleet Place of the City, in which the Group has a 25% interest, achieved an occupancy of approximately 91%. 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 2018 and leasing was launched in December 2018. As at 30 June 2019, the property achieved an occupancy of approximately 21%. The commercial property on Gresham Street, City of London, in which the Group has a 50% interest, was acquired in December 2018. As at 30 June 2019, the property achieved full occupancy.

The Group has 33 residential units at Central Park, Beijing with a gross floor area of approximately 6,200 square metres. Approximately 91% of the units (in terms of number) were leased as at 30 June 2019.

Hospitality Investment and Management

The hospitality investment and management segment revenue and segment loss before taxation was HK$71 million and HK$1 million, respectively, in the first half of 2019. Excluding fair value changes in investment properties and financial instruments including joint ventures, the segment profit before taxation was HK$9 million in 2019, compared with HK$19 million in 2018.

The wholly-owned Lanson Place Hotel in Hong Kong recorded stable occupancy rate and average room rates, but the occupancy rate started to drop since June due to the recent social turmoil. Waterfront Suites, our wholly-owned prime harbour-front furnished residence in Sai Wan Ho, was opened in April 2019 for leasing.

Besides, the Group has a 50% interest in Lanson Place Bukit Ceylon Serviced Residences in Kuala Lumpur, which recorded a stable occupancy rate, but the average room rates were under pressure due to the softening hotel market.

Lanson Place currently manages ten third-party serviced residences, of which five are in Shanghai and the other five in Hong Kong, Singapore, Kuala Lumpur, Chengdu and Melbourne. The upcoming brand new luxury serviced residence, located on Albert Street, Melbourne, is targeted to open by 2022.

In May 2019, the Group entered into a 10-year management contract to manage a brand new hotel and serviced residence of approximately 400 units at the heart of SM Mall of Asia in Manila, Philippines, which is targeted for completion by 2022. Marking Lanson Place's first property in the Philippines, the project is also the Group's 13th managed property in the Asia Pacific region.

Others
Revenue and profit before taxation from this segment, representing investing activities and central management and administrative expenses, were HK$27 million and HK$56 million, respectively, in the first half of 2019. Excluding fair value changes in financial instruments, the segment profit before taxation was HK$45 million in the first half of 2019, compared with breakeven result in 2018. It was mainly due to an increase in interest income from debt securities and in bank interest income from time deposit placements during the period.

PROSPECTS

In view of the recent social turmoil in Hong Kong and decelerating economic growth, coupled with the intensifying Sino-US trade tensions, the Hong Kong property market is expected to become more challenging. We expect property investors and end-users to remain conservative for the rest of 2019, albeit the US Federal Reserve has recently announced its first interest rate cut since 2008.

Under such market outlook, we will remain vigilant in capturing the market opportunities and in marketing our residential development projects. We will focus on the timely completion of The Carmel and OMA OMA so as to hand them over to our buyers on a timely manner.

Amidst a very uncertain outlook locally and globally, we are encouraged by the resilient performance of our commercial properties portfolios in Hong Kong and London, which forms a strong foundation of our balance sheet and provides a reliable stream of steady recurring income and cash flow for the Group. We stay prudently active in growing our land reserves and yield-enhancing investment properties when opportunities arise.

# # # #

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, Kuala Lumpur and Melbourne. Wing Tai Properties has been listed on The Stock Exchange of Hong Kong Limited since 1991.

For further information, please contact

Hill+Knowlton Strategies Asia:
Bernice Cheung / Cora Wan
Tel: 2894 6232 / 2894 6226
Email: wingtai@hkstrategies.com

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2019

	Unaudited Six months ended 30 June 2019 HK$'M	2018 HK$'M
Revenue	423.9	469.5
Cost of sales	(82.8)	(99.4)
Gross profit	341.1	370.1
Other gains/(losses), net	7.2	(32.5)
Selling and distribution costs	(30.4)	(18.1)
Administrative expenses	(170.0)	(155.2)
Change in fair value of		
– investment properties	48.1	337.3
– financial instruments	1.4	(104.8)
	49.5	232.5
Gain on disposal of subsidiaries	-	693.3
Profit from operations	197.4	1,090.1
Finance costs	(29.8)	(34.7)
Finance income	36.5	15.6
Share of results of joint ventures	79.9	40.3
Share of results of associates	1.4	0.9
Profit before taxation	285.4	1,112.2
Taxation	(40.0)	(43.1)
Profit for the period	245.4	1,069.1
Profit for the period attributable to:		
Shareholders of the Company	212.2	1,035.5
Holders of perpetual capital securities	32.4	33.1
Non-controlling interests	0.8	0.5
	245.4	1,069.1
Earnings per share attributable to shareholders of the Company		
– Basic	HK$0.16	HK$0.77
– Diluted	HK$0.16	HK$0.77

CONDENSED CONSOLIDATED BALANCE SHEET
As at 30 June 2019

	Unaudited 30 June 2019 HK$'M	Audited 31 December 2018 HK$'M
ASSETS AND LIABILITIES		
Non-current assets		
Investment properties	20,628.9	20,459.4
Other properties, plant and equipment	82.7	74.1
Investments in joint ventures	2,001.2	1,920.7
Loans to joint ventures	4,199.1	3,835.7
Investments in associates	16.1	16.0
Loans to associates	22.4	22.4
Financial investments at amortised cost	478.9	335.5
Financial investments at fair value through profit or loss	646.8	553.8
Deferred tax assets	25.9	20.9
Derivative financial instruments	37.4	49.5
	28,139.4	27,288.0
Current assets		
Properties for sale	4,393.3	4,006.4
Trade and other receivables, deposits and prepayments	529.4	918.3
Financial investments at amortised cost	243.4	248.3
Financial investments at fair value through profit or loss	41.5	84.7
Derivative financial instruments	3.2	5.3
Sales proceeds held in stakeholders' accounts	293.0	-
Tax recoverable	0.2	3.1
Bank balances and cash	2,352.3	2,873.6
	7,856.3	8,139.7
Current liabilities		
Trade and other payables and accruals	2,011.9	1,154.6
Derivative financial instruments	15.3	21.8
Tax payable	27.7	3.7
Bank and other borrowings	1,028.8	1,295.3
	3,083.7	2,475.4

CONDENSED CONSOLIDATED BALANCE SHEET (Continued)
As at 30 June 2019

	Unaudited 30 June 2019 HK$'M	Audited 31 December 2018 HK$'M
Non-current liabilities		
Bank and other borrowings	3,733.4	3,739.2
Other long-term liability	47.4	48.7
Derivative financial instruments	127.0	107.2
Deferred tax liabilities	352.4	335.3
	4,260.2	4,230.4
NET ASSETS	28,651.8	28,721.9
EQUITY		
Shareholders' funds		
Share capital	676.3	674.6
Reserves	26,454.9	26,526.7
	27,131.2	27,201.3
Perpetual capital securities	1,513.1	1,513.9
Non-controlling interests	7.5	6.7
TOTAL EQUITY	28,651.8	28,721.9

-END-