Wing Tai Properties Announces 2020 Annual Results

Adopted Flexible Measures in Response to Economic Downturn
Diversified Portfolio and Enhanced Cashflow with New Acquisition

25 March 2021, 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 2020.

During the year, the Group's revenue was HK$2,778 million compared with HK$830 million in 2019. Core consolidated profit attributable to shareholders, excluding one-off valuation gain and change in fair value on investment properties and financial instruments including joint ventures, was HK$456 million, compared with HK$424 million in 2019. This was mainly attributable to profit recognition upon handover of The Carmel in 2020.

Consolidated loss attributable to shareholders for the year was HK$674 million, a decrease of HK$913 million compared with profit of HK$239 million in 2019. The decrease was mainly due to an increase in fair value loss on investment properties and financial instruments including joint ventures of HK$1,324 million in 2020 as compared to HK$191 million in 2019, offset by HK$127 million higher profit due to profit recognised from The Carmel and HK$193 million one-off valuation gain from distribution in specie from Le Cap, a joint venture project.

The Board of Directors has recommended a final dividend of HK21.0 cents per share (2019: HK21.0 cents). Together with an interim dividend of HK6.0 cents per share (2019: HK6.0 cents), the total dividend for the full year will be HK27.0 cents per share (2019: HK27.0 cents), same as 2019.

Mr. Edward Cheng, Deputy Chairman and Chief Executive of Wing Tai Properties Limited, said, "The outbreak of COVID-19 pandemic has disrupted the global and Hong Kong economy throughout 2020, which caused the hospitality sector to take a drastic hit and the office leasing market gradually weakened. Nonetheless, we continued to capture the solid demand of first-time local home buyers by continuing to sell the residential units of our three "Upper Gold Coast series", including the remaining house units of The Carmel and the pre-sale of apartment units of OMA OMA and OMA by the Sea. Regarding investment properties, to further expand and diversify our investment portfolio for recurring leasing income, we acquired a 21% interest in 66 Shoe Lane, a Grade A office building in a prime business hub on the western edge of The City of London. Regarding hospitality business, our Lanson Place hotels in Hong Kong and Kuala Lumpur have recorded drastic decline in both occupancy rate and average room rate as a result of global travel restrictions. In general, we continued to deliver core profit for shareholders despite the impact of the pandemic on our business performance.

In view of the economic downturn, we have tightened our bonus for 2020 and suspended salary adjustment in 2021 for all our employees. We would like to express our gratitude and appreciation to our employees for their understanding and support to keep our operations running smoothly amid the pandemic."

BUSINESS REVIEW

Property Development

The revenue from the property development segment in 2020 was HK$2,054 million, compared with HK$26 million in 2019. Excluding fair value changes in investment properties and financial instruments including joint ventures and HK$193 million one-off valuation gain from distribution in specie from the joint venture Le Cap project, segment profit before taxation was HK$144 million compared with HK$17 million in 2019, due to the sold units of The Carmel handed over to buyers during the year.

Regarding the Group's wholly-owned projects, The Carmel, a low-density residential site located in Siu Sau, Tai Lam, Tuen Mun, has sold around 8% (in terms of number) of the residential units in 2020. Cumulatively, as at 31 December 2020, around 97% (in terms of number) of the residential units were sold. Among them, around 97% (in terms of number) of the residential units were handed over to buyers with related revenue recognised in 2020. OMA OMA, a medium-density residential site on So Kwun Wat Road, So Kwun Wat, Tuen Mun, has pre-sold around 15% (in terms of number) of the residential units in 2020. The superstructure work is underway and the project is scheduled to complete in 2021. It has cumulatively sold approximately 86% (in terms of number) of the residential units as at 31 December 2020.

For majority-owned project, the Group possesses a 70% interest in OMA by the Sea, a medium-density residential site adjacent to The Carmel in Siu Sau, Tai Lam, Tuen Mun. The superstructure work has commenced and the project is scheduled to complete in 2022. Around 74% (in terms of number) of the residential units were pre-sold as at 31 December 2020.

Regarding joint venture projects, the Group holds 35% interest in two low-density residential projects, Le Cap and La Vetta, both are located in Kau To, Shatin. In 2020, approximately 2% and 5% (in terms of number) of the residential units of Le Cap and La Vetta were sold respectively; making the accumulated residential units sold for both projects around 30% and 32% respectively. The Group is the joint project manager and lead sales and marketing for both projects. In September 2020, all unsold units of Le Cap were distributed to shareholders. After distribution, the Group has approximately 36,000 square feet saleable area of houses and apartments, and 22 car parking spaces, which are held for leasing.

The Group also holds 50% interest in a commercial complex site in Gage Street/Graham Street, Central, which was put up by the Urban Renewal Authority. The project consists of a Grade A office tower, a hotel, retail units and public open space with green facilities, and is expected to transform the old urban landscape in the prime central business and entertainment district in the future. The foundation work is in progress and the Group is the lead project manager and lead leasing manager for the project.

Property Investment and Management

Revenue from the property investment and management segment slightly reduced to HK$614 million in 2020, compared with HK$626 million in 2019. Excluding fair value changes in investment properties and financial instruments including joint ventures and one-off items, segment profit before taxation was HK$397 million, compared with HK$419 million in 2019. The decrease was mainly a result of lower leasing income due to the pandemic.

By the end of 2020, the Group's portfolio of investment properties was mainly comprised of Grade A office buildings, which contained a total area of approximately 1,886,000 square feet with an aggregate attributable fair market valuation of around HK$19,800 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.

For the investment properties in Hong Kong, Landmark East, the Group's flagship Grade A office complex located in Kowloon East, achieved an occupancy of approximately 87% as at 31 December 2020. Meanwhile, Shui Hing Centre, an industrial building located in Kowloon Bay, achieved an occupancy of approximately 85%. In November 2019, a waiver for revitalization of the building has been obtained, and is currently pending redevelopment approval from the Town Planning Board.

Regarding the investment properties in the United Kingdom, the Group has three wholly-owned commercial properties in London located at Savile Row/Vigo Street, West End, Brook Street, West End and Berkeley Square, West End respectively. As at 31 December 2020, the average occupancy of the three properties above was 91%. In addition, the Group also has three joint venture commercial properties in Fleet Place, the City, Cavendish Square, West End and 30 Gresham Street, City of London, in which the Group has a 25%, 33% and 50% interest respectively. As at 31 December 2020, the average occupancy of the three joint venture properties was 86%. In February 2021, the Group has formed a joint venture to acquire equity interest of the owner of the property at 66 Shoe Lane in London, in order to further expand and diversify our investment portfolio for recurring leasing income. The Group holds a 21% interest in this joint venture.

In China, the Group possesses 33 residential units at Central Park, Beijing. Approximately 97% of units (in terms of number) were leased as at 31 December 2020.

Hospitality Investment and Management

The hospitality investment and management segment generated revenue amounted to HK$62 million in 2020, compared with HK$122 million in 2019. Excluding fair value changes in investment properties and financial instruments, including joint ventures, the segmental loss before taxation was HK$32 million in 2020 compared with loss of HK$13 million in 2019.

The wholly-owned Lanson Place Causeway Bay hotel in Hong Kong and 50% owned Lanson Place Bukit Ceylon in Kuala Lumpur has suffered from the pandemic in 2020, resulted in a drastic drop in both occupancy and average room rates in 2020. The situation has not been improved as travel restrictions and quarantine measures were imposed globally, resulting in operating loss.

Lanson Place Waterfront Suites, a wholly-owned prime harbour-front furnished residence in Sai Wan Ho, was opened for leasing since April 2019, and occupancy continued to build up despite the pace has slowed down due to the pandemic.

Currently, Lanson Place manages properties including serviced apartments in Hong Kong, Shanghai, Chengdu, Kuala Lumpur, Singapore, Manila (2022), Melbourne (2023) and a multi-awarded luxury boutique hotel in Hong Kong.

Others
In 2020, revenue and loss before taxation from this segment, representing investing activities and central management and administrative expenses, were HK$48 million and HK$6 million, respectively. It was a result of the fair value loss of HK$78 million (2019 was fair value gain of HK$18 million) from the Group's investment in Singapore REITs listed on the Singapore Exchange, and mainly reflected a drop in market price of the units in Suntec REIT as compared to the unit market price at 31 December 2019 due to the pandemic. Excluding fair value changes in financial instruments, the segment profit before taxation was HK$72 million in 2020, compared with HK$105 million in 2019.

PROSPECTS

Looking ahead, the ongoing pandemic and Sino-US tension will continue to cast uncertainties on the economic outlook of Hong Kong. The operating environment will likely remain very challenging in 2021 for our hospitality and office leasing businesses, given the local economy can only gradually recover when travel restrictions and social distancing measures are lifted. However, we expect Hong Kong's primary residential property market, in particular the mass market products, will continue to be supported by pent up demand of local first-time home buyers due to unresolved property supply shortage, easing policies on home mortgage, and low interest rate.

The Group will continue the sale of the remaining units of our three "Upper Gold Coast series" and lease out unsold units in La Vetta. We are on schedule to complete the development of OMA OMA in 2021, and the related profit on the accumulated pre-sold units will be booked upon handover to the buyers in 2021.

The Group will focus on recovering occupancy rates and rental income for our hospitality and commercial properties, which will depend on the pace and effectiveness of vaccination, uplifting of travel bans and business recovery of our corporate tenants. While we expect overall leasing profit from our existing properties will decline in 2021, the newly acquired 66 Shoe Lane in London will contribute from April 2021 onwards.

The Group remains cautious on our business outlook for 2021. Supported by our healthy balance sheet, resilient capital structure, as well as diversified asset portfolios, we will remain vigilant against market fluctuation. Our focus remains on developing high quality projects, delivering premium services, as well as improving the efficiency and cost-effectiveness of our business operations; while prudently and diligently exploring new opportunities that may arise during this exceptionally challenging period.

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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, Kuala Lumpur, Manila (2022) and Melbourne (2023). 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 2020 HK$'M	2019 HK$'M
Revenue	2,777.8	829.5
Cost of sales	(1,777.7)	(163.1)
Gross profit	1,000.1	666.4
Other gains, net	215.6	12.7
Selling and distribution costs	(154.6)	(65.1)
Administrative expenses	(337.7)	(340.8)
Change in fair value of		
– investment properties	(1,064.5)	(126.4)
– financial instruments	(150.4)	19.0
	(1,214.9)	(107.4)
(Loss)/profit from operations	(491.5)	165.8
Finance costs	(96.0)	(61.7)
Finance income	41.0	74.1
Share of results of joint ventures	(12.3)	193.9
Share of results of associates	3.7	2.6
(Loss)/profit before taxation	(555.1)	374.7
Taxation	(60.8)	(69.7)
(Loss)/profit for the year	(615.9)	305.0
(Loss)/profit for the year attributable to:		
Shareholders of the Company	(674.4)	238.9
Holders of perpetual capital securities	63.8	64.9
Non-controlling interests	(5.3)	1.2
	(615.9)	305.0
(Loss)/earnings per share attributable to shareholders of the Company		
– Basic	(HK$0.50)	HK$0.18
– Diluted	(HK$0.50)	HK$0.18

CONSOLIDATED BALANCE SHEET

	At 31 December 2020 HK$'M	2019 HK$'M
ASSETS AND LIABILITIES		
Non-current assets		
Investment properties	20,375.6	20,427.3
Other properties, plant and equipment	82.3	74.7
Investments in joint ventures	1,365.3	1,566.1
Loans to joint ventures	3,868.3	3,919.7
Investments in associates	23.3	17.2
Loans to associates	22.4	22.4
Financial investments at amortised cost	293.3	385.3
Financial investments at fair value through profit or loss	537.8	603.7
Other non-current assets	1,500.7	147.9
Deferred tax assets	31.3	34.6
Derivative financial instruments	63.1	45.8
	28,163.4	27,244.7
Current assets		
Properties for sale	4,243.8	4,909.7
Trade and other receivables, deposits and prepayments	1,711.6	1,415.5
Financial investments at amortised cost	475.5	329.9
Financial investments at fair value through profit or loss	75.3	46.9
Other current assets	5.3	-
Derivative financial instruments	0.7	0.7
Sales proceeds held in stakeholders' accounts	1,375.1	616.0
Tax recoverable	5.0	2.9
Bank balances and cash	1,190.1	1,740.0
	9,082.4	9,061.6
Assets classified as held for sale	-	16.5
	9,082.4	9,078.1

CONSOLIDATED BALANCE SHEET (Continued)

	At 31 December	
	2020	**2019**
	HK$'M	HK$'M
Current liabilities		
Trade and other payables and accruals	4,655.5	2,466.5
Derivative financial instruments	32.6	18.1
Tax payable	11.9	23.2
Bank and other borrowings	725.9	146.6
	5,425.9	2,654.4
Liabilities directly associated with assets classified as held for sale	-	2.1
	5,425.9	2,656.5
Non-current liabilities		
Bank and other borrowings	3,653.7	4,534.8
Other long-term liability	48.4	41.9
Derivative financial instruments	110.2	108.5
Deferred tax liabilities	366.6	357.6
	4,178.9	5,042.8
NET ASSETS	27,641.0	28,623.5
EQUITY		
Shareholders' funds		
Share capital	677.3	676.3
Reserves	25,448.3	26,425.9
	26,125.6	27,102.2
Perpetual capital securities	1,513.3	1,513.7
Non-controlling interests	2.1	7.6
TOTAL EQUITY	27,641.0	28,623.5

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