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WING LEE PROPERTY INVESTMENTS LIMITED

永利地產發展有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 864)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2016

INTERIM RESULTS

The board of directors (the “**Board**”) of Wing Lee Property Investments Limited (the “**Company**”) is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2016, together with comparative figures for the corresponding period ended 30 June 2015.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016

		Six months ended	
	<i>Notes</i>	30.6.2016	30.6.2015
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Turnover	3	16,234	13,915
Direct operating expenses		(663)	(582)
		15,571	13,333
Other income		193	382
Other gains or losses		(312)	(76)
Net changes in fair value of investment properties	9	(5,764)	65,532
Administrative expenses		(6,293)	(5,098)
Finance costs	4	(586)	(683)
Profit before taxation	5	2,809	73,390
Taxation	6	(1,687)	(1,534)
Profit and total comprehensive income for the period attributable to owners of the Company		1,122	71,856
Earnings per share	7	HK\$0.003	HK\$0.186

* For identification purposes only

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

	Notes	30.6.2016 HK\$'000 (unaudited)	31.12.2015 HK\$'000 (audited)
Non-current assets			
Investment properties	9	1,066,729	1,072,493
Property, plant and equipment	10	17,120	17,476
		<u>1,083,849</u>	<u>1,089,969</u>
Current assets			
Rental and other receivables	11	879	1,030
Held for trading investments	14	1,044	1,321
Tax recoverable		–	377
Fixed deposits		22,046	24,000
Bank balances and cash		5,549	3,824
		<u>29,518</u>	<u>30,552</u>
Current liabilities			
Other payables and rental deposits received	12	11,352	11,955
Taxation payable		1,307	187
Bank loans – due within one year		24,771	25,873
Obligation under a finance lease		109	107
		<u>37,539</u>	<u>38,122</u>
Net current liabilities		<u>(8,021)</u>	<u>(7,570)</u>
Total assets less current liabilities		<u>1,075,828</u>	<u>1,082,399</u>
Non-current liabilities			
Bank loans – due after one year		46,423	54,234
Obligation under a finance lease		284	339
Deferred taxation		5,806	5,633
		<u>52,513</u>	<u>60,206</u>
Net assets		<u>1,023,315</u>	<u>1,022,193</u>
Capital and reserves			
Share capital	13	3,862	3,862
Reserves		1,019,453	1,018,331
Total equity		<u>1,023,315</u>	<u>1,022,193</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (“HKAS 34”) “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties and held for trading investments that are measured at fair values.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2016 are the same as those followed in the preparation of the Company’s annual financial statements for the year ended 31 December 2015.

In the current interim period, the Company and its subsidiaries have applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are effective during the current period:

Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations
Amendments to HKAS 1	Disclosure initiative
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception
Amendments to HKFRSs	Annual improvements to HKFRSs 2012-2014 cycle

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in the condensed consolidated financial statements and/or disclosures set out in the condensed consolidated financial statements.

3. SEGMENT INFORMATION

The Group's operating activities are attributable to a single operating segment focusing on properties investment. This operating segment has been identified on the basis of internal management reports prepared in accordance with accounting policies conform to HKFRSs, that are regularly reviewed by the executive directors of the Company (the "Executive Directors"), the chief operating decision maker of the Group. The Executive Directors regularly review revenue analysis by locations of the investment properties and relevant types of properties which generate rental income as presented below, and hence no analysis of this single operating segment is presented. Other than revenue analysis, no operating results and other discrete financial information is available for the assessment of performance of the respective locations. The Executive Directors review the overall results of the Group as a whole to make decisions about resources allocation.

Turnover represents the rental income received from operating leases.

An analysis of the Group's turnover by geographical locations of the investment properties and relevant types of properties which generate rental income are as follows:

	Turnover from external customers	
	Six months ended	
	30.6.2016	30.6.2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Hong Kong		
Hong Kong Island:		
Commercial	9,904	8,663
Residential	528	354
Kowloon:		
Commercial	2,862	2,264
Residential	1,434	1,316
Industrial	1,331	1,121
The People's Republic of China (the "PRC")		
Shenzhen:		
Commercial	175	197
	16,234	13,915

4. FINANCE COSTS

	Six months ended	
	30.6.2016	30.6.2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on bank borrowings		
wholly repayable:		
– within five years	75	60
– over five years	511	623
	<u>586</u>	<u>683</u>

5. PROFIT BEFORE TAXATION

	Six months ended	
	30.6.2016	30.6.2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	356	328
and after crediting:		
Interest income (included in other income)	<u>57</u>	<u>332</u>

6. TAXATION

	Six months ended	
	30.6.2016	30.6.2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
The charge comprises:		
Hong Kong Profits Tax		
– Current period	1,501	1,340
PRC Enterprise Income Tax	13	21
Deferred taxation charge	<u>173</u>	<u>173</u>
	<u>1,687</u>	<u>1,534</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods.

According to Article 3 of the Enterprise Income Tax Law (中華人民共和國企業所得稅) and Article 91 of the Implementation of the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法實施條例), a non-resident enterprise without any establishment in China deriving income sourced in China is liable to Enterprise Income Tax on such income, at 10% of the gross amount. An entity of the Group earns rental income derived from a property located in the PRC and is subject to PRC Enterprise Income Tax calculated at 10% of the gross rental income received in the PRC.

Deferred tax on Land Appreciation Tax (“LAT”) is provided for according to the Provisional Regulations of the PRC on Land Appreciation Tax (中華人民共和國土地增值稅暫行條例) and its implementing rules which stipulate that LAT shall be chargeable on the appreciation in value, representing the excess balance of the proceeds from sales of real estates over the relevant direct costs, at rates progressing from 30% to 60%.

Deferred tax on Enterprise Income Tax for capital gain of a property held by the Group in the PRC is provided at 10% of the estimated net gain upon disposal of the property, representing the estimated sales proceeds from sale of property less its relevant costs including business tax and LAT.

7. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the following data:

	Six months ended	
	30.6.2016	30.6.2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Earnings		
Profit for period attributable to owners of the Company for the purpose of basic earnings per share	<u>1,122</u>	<u>71,856</u>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>386,175,758</u>	<u>386,175,758</u>

No diluted earnings per share is presented as there were no dilutive potential ordinary shares during both periods.

8. DIVIDEND

A final dividend of HK\$0.01 per share in respect of the year ended 31 December 2014 was declared and paid to shareholders of the Company during the six months ended 30 June 2015. No final dividend was declared in respect of the year ended 31 December 2015. The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2016 (2015: Nil).

9. INVESTMENT PROPERTIES

	30.6.2016 HK\$'000 (Unaudited)	31.12.2015 HK\$'000 (Audited)
FAIR VALUE		
At beginning of the period	1,072,493	1,036,860
Additions	–	21,688
Net (decrease) increase in fair value	(5,764)	13,945
At end of the period	<u>1,066,729</u>	<u>1,072,493</u>

The carrying value of investment properties shown above situated on:

	30.6.2016 HK\$'000 (Unaudited)	31.12.2015 HK\$'000 (Audited)
Land in Hong Kong:		
– long leases	820,100	825,440
– medium-term leases	237,570	238,700
Land in PRC:		
– medium-term leases	<u>9,059</u>	<u>8,353</u>
	<u>1,066,729</u>	<u>1,072,493</u>

The fair value of the Group's investment properties at 30 June 2016 and at 31 December 2015 have been arrived at on the basis of a valuation carried out by RHL Appraisal Limited ("RHL"), an independent firm of professional valuers not related to the Group whose address is at Room 1010, Star House, Tsimshatsui, Kowloon, Hong Kong.

The valuations as at 30 June 2016 and 31 December 2015 have been arrived at by using direct comparison method by making reference to comparable market transactions as available.

All of the Group's investment properties were assumed to be recovered through sales and deferred tax liabilities in respect of fair value changes on investment properties have been estimated taking into account this assumption. The Group has not recognized deferred tax liabilities in relation to changes in fair value of the investment properties that are situated in Hong Kong during the six months ended 30 June 2016 and 2015 as the Group is not subject to any income taxes on disposal of its investment properties. The Group has recognized deferred tax liabilities on changes in fair value of the investment property that is situated in the PRC as the property in the PRC is subject to LAT and capital gains tax upon disposal.

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purpose are measured using the fair value model and are classified and accounted for as investment properties.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2016, there was no new addition of property, plant and equipment (2015: approximately HK\$549,900).

11. RENTAL AND OTHER RECEIVABLES

	30.6.2016 HK\$'000 (Unaudited)	31.12.2015 HK\$'000 (Audited)
Rental receivables	449	440
Other receivables, deposits and prepayments	430	590
	879	1,030

The following is an aged analysis of rental receivables (presented based on rental demand notices issued on the first calendar day of each month) at the end of the reporting period:

	30.6.2016 HK\$'000 (Unaudited)	31.12.2015 HK\$'000 (Audited)
Age		
0 – 90 days	312	303
91 – 180 days	137	137
	449	440

No credit period was granted to tenants of rental of premises.

12. OTHER PAYABLES AND RENTAL DEPOSITS RECEIVED

	30.6.2016 HK\$'000 (Unaudited)	31.12.2015 HK\$'000 (Audited)
Accrued expenses	2,988	3,435
Rental deposits received	8,322	8,487
Other payables	42	33
	11,352	11,955

13. SHARE CAPITAL

	Number of shares	Amount in HK\$	Shown in the condensed consolidated financial statements HK\$'000
Ordinary shares			
Authorized:			
At 30 June 2015, 31 December 2015 and 30 June 2016 (HK\$0.01 each)	1,000,000,000	10,000,000	
Issued and fully paid:			
At 30 June 2015, 31 December 2015 and 30 June 2016	386,175,758	3,861,757	3,862

There were no movements in the share capital of the Company for the six months ended 30 June 2016.

14. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis.

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Level 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets	Fair value		Fair value hierarchy	Valuation techniques and key inputs
	30 June	31 December		
	2016	2015		
	<i>HK\$'000</i>	<i>HK\$'000</i>		
	(Unaudited)	(Audited)		
Held for trading investments	1,044	1,321	Level 1	Quoted bid prices in an active market

There were no transfers between Levels 1, 2 and 3 during the period.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is engaged in the business of property investment and leasing of commercial and residential properties in Hong Kong. As at 30 June 2016, the Group held an investment property portfolio consisting of 36 properties located in Hong Kong and one property located in the PRC.

The aggregate market value of the Group's investment properties amounted to approximately HK\$1,066.7 million as at 30 June 2016 (31 December 2015: approximately HK\$1,072.5 million). There was a decrease in fair values of the Group's investment properties for the six months ended 30 June 2016 of 0.5%, reflecting the sentiment of the Hong Kong property market.

For the six months ended 30 June 2016 (the "Period"), the Group's turnover, mainly consisting of gross rental income from the Group's investment properties, amounted to approximately HK\$16.2 million (2015: HK\$13.9 million), an increase of approximately 16.7% in comparison to the corresponding period in 2015. Despite the various market uncertainties affecting the property rental industry, all of the Group's investment properties were fully occupied as at 30 June 2016.

Save for the investment properties held by the Group, there was no other significant investment held during the Period. The Group did not introduce or announce any new business or services during the Period.

PROSPECTS

Although the Hong Kong property market continues to face downward pressure from various market uncertainties, the properties most adversely affected were prime retail shops in central core hubs in Hong Kong which is noticeable from the many vacant storefronts.

The decrease in Mainland Chinese tourists visiting Hong Kong along with adverse fluctuations in the China and Hong Kong stock markets and the instability of the European economy post the United Kingdom's referendum on the exit from the European Union is expected to continue to adversely affect the property market in Hong Kong in the foreseeable future.

As most of the Group's properties are located in areas with various trade mix and are less tourist oriented, despite the various aforementioned uncertainties, the Group's rental income for the Period remained satisfactory. It is anticipated that the properties will continue to provide the Group with stable rental income as the Group's portfolio of rental properties continues to maintain high occupancy rates. However, the management expects the adverse business environment to continue for the foreseeable future and may adversely affect the Group's rental income and market value of the Group's investment properties.

Currently, the Group does not have plans for any material investments or acquisitions of capital assets. Due to market uncertainties, the Group will continue to maintain a conservative treasury policy and will monitor the property market and cautiously explore opportunities to further expand its investment portfolio.

RESULTS

The Group's profit and total comprehensive income for the Period attributable to owners of the Company amounted to approximately HK\$1.1 million (2015: HK\$71.9 million), representing a decrease of 98.4% as compared with the same period last year. The significant decrease in profit for the first half of 2016 as compared with the corresponding period last year was mainly attributable to the net decrease in fair value of the Group's investment properties for the Period of approximately HK\$5.8 million in 2016 (2015: an increase of approximately HK\$65.5 million) which reflects the general market conditions of the commercial retail and residential investment property market in Hong Kong during the Period.

Earnings per share for the six months ended 30 June 2016 was HK\$0.003 (2015: HK\$0.186), representing a decrease of HK\$0.183 from the corresponding period last year.

FINANCIAL REVIEW

Liquidity and Capital Resources

As at 30 June 2016, the net current liabilities of the Group amounted to approximately HK\$8.0 million (31 December 2015: approximately HK\$7.6 million). The current ratio, expressed as current assets over current liabilities, was approximately 0.8 (31 December 2015: approximately 0.8). Total equity of the Group increased to approximately HK\$1,023.3 million (31 December 2015: approximately HK\$1,022.2 million).

Moreover, as at 30 June 2016, the bank deposits and cash of the Group were approximately HK\$27.6 million (31 December 2015: approximately HK\$27.8 million), which included fixed deposits of approximately HK\$22.0 million (31 December 2015: approximately HK\$24.0 million).

After taking into account the available banking facilities as at 30 June 2016, and the estimated cash flows generated from the Group's operations, the directors of the Company are satisfied that the Group will have sufficient working capital for its present requirements for the foreseeable future. As such, the management believes that the Group is well positioned with sufficient operating funds to manage its existing operations and investment plans. The management will continue to implement all necessary measures to ensure that the Group maintains adequate cash and appropriate credit facilities to meet its future operating expenditure and loan repayment obligations.

During the Period, the Group obtained an additional banking credit facility of HK\$30.0 million that remained unutilised as at 30 June 2016. As at 30 June 2016, the carrying amount of our bank loans was approximately HK\$71.2 million (31 December 2015: approximately HK\$80.1 million). As at 30 June 2016, all of the bank loans were secured by mortgages over certain investment properties, leasehold land and buildings of the Group with an aggregate carrying amount of approximately HK\$518.3 million (31 December 2015: approximately HK\$521.5 million) and carry interest at HIBOR plus 0.70% to 2.25% per annum (31 December 2015: HIBOR plus 0.70% to 2.25% per annum).

Of the total bank loans as at 30 June 2016, approximately HK\$24.8 million (or approximately 34.8%) was repayable within one year or on demand. Approximately HK\$15.7 million (or approximately 22.2%) was repayable after one year but within two years. Approximately HK\$28.1 million (or approximately 39.4%) was repayable after two years but within five years. Approximately HK\$2.6 million (or approximately 3.6%) was repayable after five years.

Of the total bank loans as at 31 December 2015, approximately HK\$25.9 million (or approximately 32.3%) was repayable within one year or on demand. Approximately HK\$15.6 million (or approximately 19.6%) was repayable after one year but within two years. Approximately HK\$34.7 million (or approximately 43.3%) was repayable after two years but within five years. Approximately HK\$3.9 million (or approximately 4.8%) was repayable after five years.

The Group's total debt to equity ratio, calculated as total borrowings (being the aggregate of total bank borrowings) of approximately HK\$71.2 million (31 December 2015: approximately HK\$80.1 million) divided by shareholder's equity of the Group of approximately HK\$1,023.3 million (31 December 2015: approximately HK\$1,022.2 million) was approximately 7.0% as at 30 June 2016 (31 December 2015: approximately 7.8%).

Capital Expenditure

The Group did not incur any material capital expenditure during the Period. Capital expenditure incurred by the Group (representing acquisition of investment properties and property, plant and equipment) for the six months ended 30 June 2015 was approximately HK\$14.2 million. It is anticipated that the funding required for future capital expenditure will be principally financed by cash generated from operations and bank borrowings, although the Group may consider raising additional funds as and when appropriate.

Capital Commitments

The Group had no material capital commitments as at 30 June 2016 and 31 December 2015.

Contingent Liabilities

The Group had no significant contingent liabilities as at 30 June 2016 and 31 December 2015.

Pledge of assets

Certain of the Group's investment properties with an aggregate carrying value of approximately HK\$502.8 million as at 30 June 2016 (31 December 2015: approximately HK\$505.7 million) have been pledged to secure banking facilities of the Group.

As at 30 June 2016, one of the Group's leasehold land and buildings with a carrying value of approximately HK\$15.5 million (31 December 2015: HK\$15.8 million) has been pledged to secure banking facilities of the Group.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

There was no material acquisition or disposal of subsidiaries and associated companies by the Company during the Period under review.

TREASURY POLICY

The Group principally operates in Hong Kong and the revenue, operating cost and borrowings were mainly denominated in Hong Kong dollars. As a result, the Group has minimal exposure to exchange rate fluctuation.

The Group adopts conservative treasury policies in cash and financial management. Cash is generally placed in short-term deposits mostly denominated in Hong Kong dollars. Should the Board consider it appropriate, it may consider investing in debt securities and equity securities. The Group does not use any financial instruments for hedging purposes.

RISK MANAGEMENT

The Group has established and maintained sufficient risk management procedures to identify and control various types of risk within the organization and the external environment with active management participation and effective internal control procedures in the best interests of the Group and its shareholders.

HUMAN RESOURCES

As at 30 June 2016, the Group employed a total of eight employees (31 December 2015: eight employees) in Hong Kong. The Group recorded staff costs of approximately HK\$4.0 million for the six months ended 30 June 2016 as compared to approximately HK\$3.0 million for the corresponding period in 2015.

The Group has entered into employment contracts with all our employees to cover matters such as wages, benefits and grounds for termination. The Group's remuneration policies and packages are reviewed by the management on a regular basis. The Group grants discretionary bonuses to qualified employees based on operation results and individual performance. The Board may also make an offer of the grant of an option to subscribe for share(s) in the capital of the Company to any of our employees under our share option scheme.

INTERIM DIVIDENDS

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2016 (2015: Nil).

CORPORATE GOVERNANCE

The Company has adopted the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Listing Rules as its own code of corporate governance. The Board considers that the Company was in compliance with all applicable code provisions set out in the CG Code during the six months ended 30 June 2016.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as its model code for securities transactions by the directors of the Company. Having made specific enquiry, all of the directors of the Company confirmed that they have complied with the Model Code during the six months ended 30 June 2016.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries redeemed, purchased or sold any of the Company's listed securities during the six months ended 30 June 2016. As at 30 June 2016, there were no outstanding redeemable securities of the Company.

AUDIT COMMITTEE

The Company has an audit committee which was established in compliance with Rule 3.21 of the Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises of three independent non-executive directors of the Company.

The audit committee has reviewed the unaudited interim results for the six months ended 30 June 2016 with the management of the Company.

APPRECIATION

On behalf of the Board, I would like to express my sincere gratitude to all of our shareholders, tenants, professional parties and employees for their continuous support.

By Order of the Board
Chau Choi Fa
Chairperson

Hong Kong, 19 August 2016

As at the date of this announcement, the Board comprises four executive directors, namely Ms. Chau Choi Fa, Ms. Wong Siu Wah, Ms. Wong Vivien Man-Li and Mr. Lui Siu Fung and three independent non-executive directors, namely Mr. Lam John Cheung-Wah, Dr. Tse Kwok Sang and Mr. Chui Chi Yun Robert.