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WING TAI PROPERTIES LIMITED

永泰地產有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 369)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020, INTERIM DIVIDEND AND RECORD DATE

CHAIRMAN'S STATEMENT

Dear Shareholders,

2020 so far has been a difficult year with unprecedented challenges from the COVID-19 pandemic, which resulted in drastic weakening of global and local economy. As a result, the Group reported a consolidated loss attributable to shareholders of HK\$486 million for the six months ended 30 June 2020. Loss per share was HK\$0.36. However, the Group has managed to achieve core consolidated profit attributable to shareholders of HK\$287 million as compared to HK\$239 million in 2019, despite marking down the fair value in investment properties and financial instruments amid economic downturn and interest rate drop. The Board of Directors has recommended an interim dividend of HK6.0 cents per share, same as 2019.

Already weakened from last year's social unrest, Hong Kong's residential property market has received another blow from the COVID-19 outbreak during the first half of 2020. Nevertheless, the Group in January launched the remaining house units in The Carmel upon its completion. In May, capturing the solid demand from first-time home buyers, we launched the pre-sale of OMA by the Sea, the third "Upper Gold Coast series" residential project. Both launches were well-received by the market despite the impact of COVID-19. As of 30 June 2020, over 60% and 83% of units of OMA by the Sea and OMA OMA were presold respectively, and approximately 93% of units of The Carmel was sold. Handover of sold units of The Carmel has started in January and mostly completed.

Landmark East, our flagship Grade A twin office towers in Kwun Tong, has managed to maintain its average occupancy rate and rental income in the first half of 2020. However, starting from the second quarter of 2020, as the pandemic prevailed with no clear sign of ending, leasing market for corporate tenants in Hong Kong and London have been affected. Many corporate tenants held up leasing decisions or started downsizing, leading to slowdown in leasing demand and gradual decline in occupancy and rental rates, and the Group suffered a drop in asset valuation as of 30 June 2020 due to uncertain outlook in the near term.

Hospitality sector has also suffered tremendously due to global travel ban. Occupancy rate of our Lanson Place Hotel in Hong Kong has dropped sharply, resulted in operating loss for the first time and significant drop in asset valuation in view of slow recovery outlook. Waterfront Suites, our furnished residences fronting the harbor, has continued to attract senior executive tenants from Hong Kong East and Kowloon East, and gradually building up occupancy amid COVID-19.

Foundational work of Gage Street/Graham Street comprehensive development in Central is progressing despite disruption from pandemic. This project consists of a Grade A office tower, a hotel, retail units and open public spaces, and is expected to transform the old urban landscape in the prime central business and entertainment district in the coming years.

In response to the pandemic, the Group has strictly followed government guidelines and implemented various measures to ensure the wellbeing of our employees and minimise the operational impact to the Group. Management will diligently monitor the impact of the pandemic on our business performance and cash flow. Inevitably, such impact will be a critical factor to consider when recommending the 2020 final dividend payment.

Taking this opportunity, I would like to express my gratitude and appreciation to my fellow Board members, business partners, colleagues and stakeholders as a whole for their unreserved support during this challenging time.

Cheng Wai Chee, Christopher
Chairman

Hong Kong, 28 August 2020

INTERIM RESULTS

The Board of Directors (the “Directors”) of Wing Tai Properties Limited (the “Company”) presents the unaudited condensed consolidated interim financial information (“Interim Financial Information”) of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2020.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2020

		Unaudited	
		Six months ended 30 June	
	Note	2020	2019
		HK\$'M	HK\$'M
Revenue	3	1,956.5	423.9
Cost of sales		(1,333.7)	(82.8)
		<hr/>	<hr/>
Gross profit		622.8	341.1
Other gains, net	4	4.1	7.2
Selling and distribution costs		(109.6)	(30.4)
Administrative expenses		(169.0)	(170.0)
Change in fair value of			
– investment properties		(434.3)	48.1
– financial instruments	5	(248.4)	1.4
		(682.7)	49.5
		<hr/>	<hr/>
(Loss)/profit from operations	6	(334.4)	197.4
Finance costs		(46.4)	(29.8)
Finance income		27.7	36.5
Share of results of joint ventures		(60.6)	79.9
Share of results of associates		2.3	1.4
		<hr/>	<hr/>
(Loss)/profit before taxation		(411.4)	285.4
Taxation	7	(46.5)	(40.0)
		<hr/>	<hr/>
(Loss)/profit for the period		(457.9)	245.4
		<hr/> <hr/>	<hr/> <hr/>
(Loss)/profit for the period attributable to:			
Shareholders of the Company		(485.7)	212.2
Holders of perpetual capital securities		31.5	32.4
Non-controlling interests		(3.7)	0.8
		<hr/>	<hr/>
		(457.9)	245.4
		<hr/> <hr/>	<hr/> <hr/>
(Loss)/earnings per share attributable to shareholders of the Company	8		
– Basic		(HK\$0.36)	HK\$0.16
		<hr/>	<hr/>
– Diluted		(HK\$0.36)	HK\$0.16
		<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Unaudited	
	Six months ended 30 June	
	2020	2019
	HK\$'M	HK\$'M
(Loss)/profit for the period	<u>(457.9)</u>	<u>245.4</u>
Other comprehensive loss		
Items that will not be reclassified to profit or loss:		
Release of other property revaluation reserve upon disposal of a subsidiary	<u>1.9</u>	<u>-</u>
Items that have been/may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	(82.7)	(0.4)
Net gain on net investment hedge		
– Fair value gain	75.3	12.6
– Realised upon settlement	-	0.3
Net loss on cash flow hedge	(9.3)	(17.0)
Release of translation reserve upon disposal of a subsidiary	0.6	-
Share of other comprehensive loss of a joint venture	(0.2)	(0.9)
	<u>(16.3)</u>	<u>(5.4)</u>
Other comprehensive loss for the period, net of tax	<u>(14.4)</u>	<u>(5.4)</u>
Total comprehensive (loss)/income for the period	<u><u>(472.3)</u></u>	<u><u>240.0</u></u>
Total comprehensive (loss)/income for the period attributable to:		
Shareholders of the Company	(500.1)	206.8
Holders of perpetual capital securities	31.5	32.4
Non-controlling interests	(3.7)	0.8
Total comprehensive (loss)/income for the period	<u><u>(472.3)</u></u>	<u><u>240.0</u></u>

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2020

	Note	Unaudited 30 June 2020 HK\$'M	Audited 31 December 2019 HK\$'M
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties		19,915.8	20,427.3
Other properties, plant and equipment		72.8	74.7
Investments in joint ventures		1,507.1	1,566.1
Loans to joint ventures		3,786.4	3,919.7
Investments in associates		19.0	17.2
Loans to associates		22.4	22.4
Financial investments at amortised cost		210.1	385.3
Financial investments at fair value through profit or loss		499.5	603.7
Other non-current assets		806.3	147.9
Deferred tax assets		21.5	34.6
Derivative financial instruments		76.9	45.8
		<u>26,937.8</u>	<u>27,244.7</u>
Current assets			
Properties for sale		4,106.8	4,909.7
Trade and other receivables, deposits and prepayments	10	1,360.7	1,415.5
Financial investments at amortised cost		316.3	329.9
Financial investments at fair value through profit or loss		220.8	46.9
Derivative financial instruments		2.4	0.7
Sales proceeds held in stakeholders' accounts		804.0	616.0
Tax recoverable		-	2.9
Bank balances and cash		2,349.1	1,740.0
		<u>9,160.1</u>	<u>9,061.6</u>
Assets classified as held for sale		-	16.5
		<u>9,160.1</u>	<u>9,078.1</u>
Current liabilities			
Trade and other payables and accruals	11	2,536.5	2,466.5
Derivative financial instruments		24.6	18.1
Tax payable		30.8	23.2
Bank and other borrowings		342.7	146.6
		<u>2,934.6</u>	<u>2,654.4</u>
Liabilities directly associated with assets classified as held for sale		-	2.1
		<u>2,934.6</u>	<u>2,656.5</u>

CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

As at 30 June 2020

	Unaudited 30 June 2020 HK\$'M	Audited 31 December 2019 HK\$'M
Non-current liabilities		
Bank and other borrowings	4,723.2	4,534.8
Other long-term liability	50.4	41.9
Derivative financial instruments	191.6	108.5
Deferred tax liabilities	356.6	357.6
	<hr/>	<hr/>
	5,321.8	5,042.8
	<hr/>	<hr/>
NET ASSETS	<u>27,841.5</u>	<u>28,623.5</u>
EQUITY		
Shareholders' funds		
Share capital	677.3	676.3
Reserves	25,647.6	26,425.9
	<hr/>	<hr/>
	26,324.9	27,102.2
Perpetual capital securities	1,512.7	1,513.7
Non-controlling interests	3.9	7.6
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TOTAL EQUITY	<u>27,841.5</u>	<u>28,623.5</u>

NOTES:

1. Basis of preparation

The Interim Financial Information for the six months ended 30 June 2020 has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with the Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). It should be read in conjunction with the Company’s annual financial statements for the year ended 31 December 2019.

The Interim Financial Information is presented in million of Hong Kong dollars (HK\$’M).

The Interim Financial Information has been reviewed by the Company’s Audit Committee and, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA, by the Company’s independent auditor, PricewaterhouseCoopers.

This interim results announcement is extracted from the Interim Financial Information.

2. Significant accounting policies

The accounting policies adopted in the preparation of the Interim Financial Information are consistent with those adopted and described in the Group’s annual financial statements for the year ended 31 December 2019, except for the adoption of new standards, revised standards, amendments and improvements to standards and interpretations of Hong Kong Financial Reporting Standards (“HKFRS”) as of 1 January 2020, noted below.

(a) New standards, revised standards, amendments and improvements to standards and interpretations effective for the current accounting period beginning on 1 January 2020 and relevant to the Group

Amendments to HKAS 1 and HKAS 8	Definition of material
Amendments to HKFRS 3	Definition of a business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest rate benchmark reform
Conceptual framework for financial reporting 2018	Revised conceptual framework for financial reporting

The adoption of the above new or revised standards, amendments and improvements to standards and interpretations of HKFRS did not have any significant impact to the Group’s Interim Financial Information in the current and prior periods.

2. Significant accounting policies (Continued)

(b) New standards, revised standards, amendments and improvements to standards relevant to the Group that are not yet effective in 2020 and have not been early adopted by the Group

The Group has not early adopted the following new standards, revised standards, amendments and improvements to standards that have been issued but are not yet effective for the period.

		Effective for accounting periods beginning on or after
Amendments to HKFRS 16	COVID-19 – Related rent concessions	1 June 2020
Amendments to HKAS 16	Proceeds before intended use	1 January 2022
Amendments to HKAS 37	Onerous contracts – Cost of fulfilling a contract	1 January 2022
Annual improvements HKFRS 17	Annual improvements 2018–2020 cycle	1 January 2022
Amendments to HKAS 1	Insurance contracts	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Classification of liabilities as current or non-current	1 January 2023
	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Group is in the process of making an assessment of the impact of these new standards, revised standards, amendments and improvements to standards and is not yet in a position to state whether they would have a significant impact on the Group's results and financial position.

3. Revenue and segment information

Revenue represents the amounts received and receivable from third parties net of value-added tax and discounts in connection with the following activities:

	Six months ended 30 June	
	2020	2019
	HK\$'M	HK\$'M
Sale of properties and project management income	1,581.9	10.4
Rental income and property management income	340.2	385.6
Interest income from financial investments	25.7	14.8
Dividend income	8.7	13.1
	<u>1,956.5</u>	<u>423.9</u>

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the Executive Directors in order to allocate resources to the segment and to assess its performance.

Segment information are analysed on the basis of the Group's operating divisions. They are (i) Property Development, (ii) Property Investment and Management, (iii) Hospitality Investment and Management and (iv) Others. Others mainly represent investing activities and corporate activities including central management and administrative function.

3. Revenue and segment information (Continued)

	Property development HK\$'M	Property investment and management HK\$'M	Hospitality investment and management HK\$'M	Others HK\$'M	Elimination HK\$'M	Total HK\$'M
For the six months ended 30 June 2020						
REVENUE						
External sales	1,590.9	311.5	28.4	25.7	-	1,956.5
Inter-segment sales	0.7	8.2	-	-	(8.9)	-
Total	<u>1,591.6</u>	<u>319.7</u>	<u>28.4</u>	<u>25.7</u>	<u>(8.9)</u>	<u>1,956.5</u>
RESULTS						
Profit/(loss) before change in fair value of investment properties and financial instruments	142.4	209.1	(11.3)	8.1	-	348.3
Change in fair value of						
– investment properties	(3.9)	(264.2)	(166.2)	-	-	(434.3)
– financial instruments	(47.9)	(12.4)	-	(188.1)	-	(248.4)
Profit/(loss) from operations	<u>90.6</u>	<u>(67.5)</u>	<u>(177.5)</u>	<u>(180.0)</u>	<u>-</u>	<u>(334.4)</u>
Finance costs	(16.9)	(25.6)	(12.3)	(8.3)	16.7	(46.4)
Finance income	4.3	1.5	0.1	38.5	(16.7)	27.7
Share of results of joint ventures	8.8	(64.3)	(5.1)	-	-	(60.6)
Share of results of associates	-	2.3	-	-	-	2.3
Profit/(loss) before taxation	<u>86.8</u>	<u>(153.6)</u>	<u>(194.8)</u>	<u>(149.8)</u>	<u>-</u>	<u>(411.4)</u>
Taxation						(46.5)
Loss for the period						<u>(457.9)</u>
OTHER ITEMS						
Depreciation and amortisation	5.0	0.7	-	4.2	-	9.9
Gain on disposal of other properties, plant and equipment	-	-	-	(0.5)	-	(0.5)

3. Revenue and segment information (Continued)

	Property development HK\$'M	Property investment and management HK\$'M	Hospitality investment and management HK\$'M	Others HK\$'M	Elimination HK\$'M	Total HK\$'M
For the six months ended 30 June 2019						
REVENUE						
External sales	11.7	314.5	70.6	27.1	-	423.9
Inter-segment sales	0.8	6.9	-	0.8	(8.5)	-
Total	<u>12.5</u>	<u>321.4</u>	<u>70.6</u>	<u>27.9</u>	<u>(8.5)</u>	<u>423.9</u>
RESULTS						
Profit/(loss) before change in fair value of investment properties and financial instruments	(96.7)	220.9	18.9	4.8	-	147.9
Change in fair value of						
– investment properties	-	47.1	1.0	-	-	48.1
– financial instruments	-	(9.3)	-	10.7	-	1.4
Profit/(loss) from operations	<u>(96.7)</u>	<u>258.7</u>	<u>19.9</u>	<u>15.5</u>	<u>-</u>	<u>197.4</u>
Finance costs	(0.9)	(24.7)	(9.4)	(8.7)	13.9	(29.8)
Finance income	0.8	0.1	0.1	49.4	(13.9)	36.5
Share of results of joint ventures	126.1	(35.1)	(11.1)	-	-	79.9
Share of results of associates	-	1.4	-	-	-	1.4
Profit/(loss) before taxation	<u>29.3</u>	<u>200.4</u>	<u>(0.5)</u>	<u>56.2</u>	<u>-</u>	<u>285.4</u>
Taxation						(40.0)
Profit for the period						<u>245.4</u>
OTHER ITEMS						
Depreciation and amortisation	0.7	0.7	-	4.0	-	5.4
Gain on disposal of other properties, plant and equipment	-	-	-	(0.1)	-	(0.1)

The following is an analysis of the Group's revenue by geographical areas in which the customers are located, irrespective of the origin of the goods/services:

	Six months ended 30 June	
	2020 HK\$'M	2019 HK\$'M
Hong Kong	1,902.2	365.1
United Kingdom	14.5	14.1
The People's Republic of China	12.2	15.5
Singapore	9.8	14.1
Others	17.8	15.1
	<u>1,956.5</u>	<u>423.9</u>

4. Other gains, net

	Six months ended 30 June	
	2020	2019
	HK\$'M	HK\$'M
Exchange losses, net	(6.4)	(2.0)
Forfeited deposits	4.8	-
Compensation income arising from early termination of tenancy agreements	2.4	-
Gain on disposal of other properties, plant and equipment	0.5	0.1
Write back of provision for disposal of a former joint venture	-	6.3
Loss on disposal of a subsidiary	(2.5)	-
Others	5.3	2.8
	<u>4.1</u>	<u>7.2</u>

5. Change in fair value of financial instruments

	Six months ended 30 June	
	2020	2019
	HK\$'M	HK\$'M
Net fair value loss on derivative financial instruments	(77.7)	(44.4)
(Loss)/gain on financial liabilities at fair value through profit or loss classified under other long-term liability	(9.4)	0.5
(Loss)/gain on financial investments at fair value through profit or loss	(161.3)	45.3
	<u>(248.4)</u>	<u>1.4</u>

6. (Loss)/profit from operations

	Six months ended 30 June	
	2020	2019
	HK\$'M	HK\$'M
(Loss)/profit from operations has been arrived at after charging the following:		
Share-based compensation expenses	7.2	7.2
Staff costs including directors' remuneration	140.6	140.2
Cost of properties included in cost of sales	1,244.5	-
Depreciation of other properties, plant and equipment	9.9	5.4
Direct operating expenses arising from investment properties generating rental income	67.5	69.6
Operating lease rental expenses in respect of land and buildings	0.3	2.7
	<u></u>	<u></u>

7. Taxation

Hong Kong profits tax has been calculated at 16.5% (2019: 16.5%) on the estimated assessable profits for the period. Taxation on overseas profits has been calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation charged/(credited) to the condensed consolidated income statement represents:

	Six months ended 30 June	
	2020 HK\$'M	2019 HK\$'M
Current taxation		
– Current tax on profits for the period	32.5	28.2
– Over-provision in prior periods	(0.2)	(0.8)
	32.3	27.4
Deferred taxation		
– Change in fair value of investment properties	-	9.8
– Temporary differences on tax depreciation	4.9	7.0
– Utilisation/(recognition) of tax losses	11.1	(5.5)
– Other temporary differences	(1.8)	1.3
	14.2	12.6
Taxation	46.5	40.0

8. (Loss)/earnings per share

The calculation of the basic and diluted (loss)/earnings per share for (loss)/profit attributable to shareholders of the Company is based on the following financial information:

	Six months ended 30 June	
	2020 HK\$'M	2019 HK\$'M
(Loss)/profit attributable to shareholders of the Company	(485.7)	212.2
	1,354,390,301	1,352,195,025
Weighted average number of ordinary shares in issue		
Effect of dilutive potential shares issuable under the Company's share option plan and share incentive scheme	248,692	830,160
Weighted average number of shares for the purpose of calculating diluted (loss)/earnings per share	1,354,638,993	1,353,025,185

9. Interim dividend

	Six months ended 30 June	
	2020	2019
	HK\$'M	HK\$'M
Interim dividend of HK6.0 cents (2019: HK6.0 cents) per ordinary share	81.3	81.2

On 28 August 2020, the board of directors has resolved to declare an interim dividend of HK6.0 cents (2019: HK6.0 cents) per ordinary share. This interim dividend, amounting to HK\$81.3M (2019: HK\$81.2M), has not been recognised as a liability in this Interim Financial Information. It will be recognised in shareholders' equity in the year ending 31 December 2020.

10. Trade and other receivables, deposits and prepayments

	30 June	31 December
	2020	2019
	HK\$'M	HK\$'M
Trade receivables (Note a)	30.7	17.6
Deferred rent receivables	14.4	14.1
Amounts due from joint ventures	6.5	7.6
Loans to joint ventures	1,005.9	1,026.2
Contract assets (Note b)	165.9	143.5
Other receivables, deposits and prepayments	137.3	206.5
	<u>1,360.7</u>	<u>1,415.5</u>

Notes:

- (a) The Group allows different credit periods to its customers. Credit periods vary from 30 to 90 days in accordance with the industry practice. The following is an ageing analysis of the Group's trade receivables (net of provision) at the balance sheet date, based on the invoice dates:

	30 June	31 December
	2020	2019
	HK\$'M	HK\$'M
0 – 30 days	17.6	13.1
31 – 90 days	2.6	1.0
Over 90 days	10.5	3.5
	<u>30.7</u>	<u>17.6</u>

- (b) It mainly represents sales commissions incurred for obtaining property sales contracts.

11. Trade and other payables and accruals

	30 June 2020 HK\$'M	31 December 2019 HK\$'M
Trade payables (Note a)	3.7	46.6
Contract liabilities (Note b)	1,368.7	1,603.7
Rental deposits received	160.4	165.9
Construction costs payables	199.9	200.7
Amounts due to joint ventures	158.2	113.7
Other creditors and accruals	645.6	335.9
	<u>2,536.5</u>	<u>2,466.5</u>

Notes:

- (a) The ageing analysis of the Group's trade payables based on invoice date at the balance sheet date is as follows:

	30 June 2020 HK\$'M	31 December 2019 HK\$'M
0 – 30 days	3.3	42.2
31 – 90 days	-	1.0
Over 90 days	0.4	3.4
	<u>3.7</u>	<u>46.6</u>

- (b) It represents sales deposits received from property sales.

INTERIM DIVIDEND AND RECORD DATE

The Directors declared the payment of an interim dividend of HK6.0 cents per share for the year ending 31 December 2020 (2019: HK6.0 cents). The interim dividend will be distributed on or around 7 October 2020 to the shareholders whose names appear on the register of members of the Company at the close of business on 17 September 2020 (the Record Date).

In order to qualify for the entitlement of the interim dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar, Tricor Standard Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on 17 September 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of 2020, the Group's revenue was HK\$1,957 million compared with HK\$424 million in 2019. The increase was due to revenue recognition on The Carmel during the period.

Consolidated loss for the six months ended 30 June 2020 was HK\$458 million, a decrease of HK\$703 million compared with profit of HK\$245 million in 2019. The decrease was mainly attributable to (i) a fair value loss on investment properties and financial instruments (including joint ventures) of HK\$773 million in 2020 as compared to HK\$27 million in 2019, offset by (ii) HK\$85 million higher profit from the property development segment due to profit recognised from The Carmel.

The fair value loss on investment properties and financial instruments (including joint ventures) of HK\$773 million were mainly attributable to the impact of the COVID-19 pandemic. The loss was comprised of (i) HK\$438 million valuation loss on investment properties, mainly Landmark East and Lanson Place Hotel in Hong Kong; and (ii) HK\$335 million mark-to-market loss from financial instruments, including HK\$117 million loss from Suntec REIT.

Consolidated loss attributable to shareholders was HK\$486 million, a decrease of HK\$698 million compared with consolidated profit of HK\$212 million in 2019.

Core consolidated profit attributable to shareholders, excluding change in fair value on investment properties and financial instruments (including joint ventures), was HK\$287 million, an increase of HK\$48 million, compared with HK\$239 million in 2019.

Loss per share attributable to shareholders was HK\$0.36, compared with earnings per share attributable to shareholders of HK\$0.16 in 2019.

Property Development

The property development segment revenue was HK\$1,591 million in the first half of 2020 compared with HK\$12 million in 2019. Segment profit before taxation (including fair value changes) was HK\$87 million compared with HK\$29 million in 2019. Excluding fair value changes in investment properties and financial instruments including joint ventures (2020 was fair value loss of HK\$51 million; 2019 was fair value gain of HK\$2 million), segment profit before taxation was HK\$138 million in 2020, compared with HK\$27 million in 2019, as a result of sold units of The Carmel handed over to buyers during the period.

Since January 2020, the COVID-19 pandemic had slowed down the primary residential property market, in particular, the high-end property market.

Wholly-owned projects

The Carmel, a low-density residential site in Siu Sau, Tai Lam, Tuen Mun, provides a saleable area of approximately 147,000 square feet for 178 residential units of apartment and house. In the first half of 2020, around 4% (in terms of number) of the residential units, mainly house units, were sold. Cumulatively, as at 30 June 2020, around 93% (in terms of number) of the residential units were sold. Around 88% (in terms of number) of the residential units were handed over to buyers with related revenue recognised in the first half of 2020.

OMA OMA, a medium-density residential site on So Kwun Wat Road, So Kwun Wat, Tuen Mun, provides a saleable area of approximately 234,000 square feet for 466 residential apartment units. Superstructure work is underway and the project is scheduled for completion in 2021. In the first half of 2020, around 12% (in terms of number) of the residential units were sold. Cumulatively, as at 30 June 2020, around 83% (in terms of number) of the residential units were sold. Related revenue and profit of the pre-sold units will be recognised upon handover to buyers prior to the project's material date in June 2021.

Majority-owned project

The Group has a 70% interest in OMA by the Sea, the site adjacent to The Carmel in Siu Sau, Tai Lam, Tuen Mun, is a medium-density residential site that offers a saleable area of approximately 252,000 square feet. Pre-sale consent was obtained in March 2020 and pre-sale was launched in May 2020. Superstructure work has commenced and the project is scheduled for completion in 2022. As at 30 June 2020, around 62% (in terms of number) of the residential units were sold. Related revenue and profit of the pre-sold units will be recognised upon handover to buyers prior to the project's material date that falls in June 2022.

Joint venture projects

The Group has a 35% interest in two low-density residential projects, Le Cap and La Vetta. Both of them are located in Kau To, Shatin, offering a saleable area of approximately 460,000 square feet altogether. In the first half of 2020, around 1% and 3% (in terms of number) of the residential units of Le Cap and La Vetta were sold, respectively. Cumulatively, as at 30 June 2020, around 29% and 30% (in terms of number) of the residential units of Le Cap and La Vetta were sold, respectively. Around 3% (in terms of number) of both Le Cap and La Vetta's residential units were handed over to buyers respectively, with related revenue recognised in the first half of 2020. The Group is the joint project manager and lead sales and marketing manager for both projects.

The Group has a 50% interest in a commercial complex site in Central, through the tender for Site C of the Gage Street/Graham Street project as put up by the Urban Renewal Authority. Advantageously located in the heart of the bustling Central financial hub, the site provides a gross floor area of up to 433,500 square feet to be developed into a Grade A office tower, a hotel, retail shops, as well as public open space with green facilities for the neighbourhood. The Group is the lead project manager and lead leasing manager for this project. The foundation work for the project is in progress.

Property Investment and Management

The property investment and management segment revenue reduced slightly to HK\$312 million in the first half of 2020, compared with HK\$315 million in 2019. Segment loss before taxation (including fair value changes) was HK\$154 million, compared with segment profit of HK\$200 million in 2019. Excluding fair value changes in investment properties and financial instruments, including joint ventures (2020 was fair value loss of HK\$363 million; 2019 was fair value loss of HK\$29 million), segment profit before taxation was HK\$209 million, compared with HK\$229 million in 2019.

As at 30 June 2020, the Group's portfolio of investment properties, mostly 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\$20,100 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.

Wholly-owned properties in Hong Kong

Landmark East is the Group's flagship property located in Kowloon East. This property is a Grade A office complex comprising twin towers of 36 floors and 34 floors respectively with a total gross floor area of approximately 1,338,000 square feet and 454 car parking spaces. As at 30 June 2020, the property achieved an occupancy of approximately 92%.

Shui Hing Centre is an industrial building in Kowloon Bay, with a gross floor area of approximately 187,000 square feet. As at 30 June 2020, the property achieved an occupancy of approximately 91%. The building has obtained a waiver for revitalization in November 2019.

Wholly-owned properties in London, the United Kingdom

The commercial property located at Savile Row/Vigo Street, West End, has a net internal area of approximately 14,000 square feet of Grade A office and retail space.

The high-end commercial property located on Brook Street, West End, offers easy access to the upcoming Bond Street Station of London Crossrail and has a net internal area of approximately 19,000 square feet of Grade A office and retail space.

The commercial property located at Berkeley Square, West End, has a net internal area of approximately 7,900 square feet of Grade A office space.

As at 30 June 2020, the above three wholly-owned properties achieved an average occupancy of approximately 99%.

Joint venture properties in London, the United Kingdom

The Group has a 25% interest in a commercial property located on Fleet Place, the City. The property has a net internal area of approximately 192,000 square feet of Grade A office and retail space.

The Group has a 33% interest in a commercial property located at Cavendish Square, West End. The property has a net internal area of approximately 13,000 square feet of Grade A office space.

The Group has a 50% interest in a commercial property located at 30 Gresham Street, City of London. The property has a net internal area of approximately 404,000 square feet of Grade A office, retail space and ancillary accommodation, with 48 car parking spaces.

As at 30 June 2020, the above three joint venture properties achieved an average occupancy of approximately 97%.

Wholly-owned property in Beijing, China

The Group has 33 residential units at Central Park, Beijing with a gross floor area of approximately 6,200 square metre. As at 30 June 2020, approximately 94% of the units (in terms of number) were leased.

Hospitality Investment and Management

The hospitality investment and management segment revenue was HK\$28 million in the first half of 2020 compared with HK\$71 million in 2019. Segment loss before taxation (including fair value changes) was HK\$195 million in the first half of 2020 compared with segment loss of HK\$1 million in 2019. Excluding fair value changes in investment properties and financial instruments, including joint ventures (2020 was fair value loss of HK\$171 million; 2019 was fair value loss HK\$10 million), segment loss before taxation was HK\$24 million in 2020, compared with profit before taxation of HK\$9 million in 2019.

The wholly-owned Lanson Place Hotel in Hong Kong has suffered from the COVID-19 outbreak since January 2020, resulted in a drastic drop in both occupancy and average room rates in the first half of 2020. The situation has worsened in late February 2020 and travel restrictions and quarantine measures were imposed globally.

Waterfront Suites, our wholly-owned prime harbour-front furnished residences in Sai Wan Ho, was opened in April 2019 for leasing, and occupancy continued to build up although the pace has slowed down due to local social activities and the COVID-19 pandemic.

The Group has a 50% interest in Lanson Place Bukit Ceylon Serviced Residences in Kuala Lumpur, which recorded a stable occupancy in January 2020 but slowed down in February amidst COVID-19. The demand came to a halt following the announcement of Movement Control Order in March 2020.

Lanson Place Hospitality Management and the properties under the brand continue to gain good recognition from travelers. In Hong Kong, both Lanson Place Hotel and Two MacDonnell Road were awarded the “2020 Traveler’s Choice Award” by TripAdvisor. Lanson Place in Chengdu was awarded “Best New Serviced Residence in China” at Business Traveller China Award 2019. This is their second consecutive year in winning this award. Lanson Place Bukit Ceylon Serviced Residences in Malaysia and Winsland Serviced Suites by Lanson Place in Singapore continue to shine in the industry by taking home the “2020 Traveler’s Choice Award” by TripAdvisor.

Others

This segment represents investing activities and central management and administrative expenses. Segment revenue was HK\$26 million in the first half of 2020, compared with HK\$27 million in 2019.

Segment loss before taxation (including fair value changes) was HK\$150 million in the first half of 2020 compared with a segment profit of HK\$56 million in 2019, which was mainly attributable to the fair value loss of HK\$117 million from the Group’s investment in Suntec REIT (2019 was fair value gain of HK\$42 million), which is listed on the Singapore Exchange, reflected a drop in market price of the units in Suntec REIT as compared to the unit market price at 31 December 2019 as a result of the COVID-19 pandemic.

Excluding fair value changes in financial instruments (2020 was fair value loss of HK\$188 million; 2019 was fair value gain of HK\$11 million), segment profit before taxation was HK\$38 million in 2020, a decrease of HK\$7 million compared with HK\$45 million in 2019, which was mainly due to a decrease in interest income from debt securities and in bank interest income from time deposit placements during the period.

FINANCIAL REVIEW

Liquidity and Financial Resources

The Group’s net assets totalled HK\$27,842 million as at 30 June 2020 (31 December 2019: HK\$28,624 million). The decrease of HK\$782 million is mainly resulted from the loss for the period of HK\$458 million, the distribution of the 2019 final dividend of HK\$284 million and distribution to holders of perpetual capital securities of HK\$32 million.

As at 30 June 2020, the Group's bank and other borrowings totalled HK\$5,066 million (31 December 2019: HK\$4,681 million). The maturity profile of the Group's bank and other borrowings is set out below:

	30 June 2020		31 December 2019	
	HK\$ million	%	HK\$ million	%
Repayable:				
Within one year	343	7%	147	3%
Between one and two years	1,756	35%	1,261	27%
Between two and five years	2,763	54%	3,086	66%
After five years	204	4%	187	4%
	<u>5,066</u>	<u>100%</u>	<u>4,681</u>	<u>100%</u>

As at 30 June 2020, the Group's net borrowings (total bank and other borrowings less bank balances and cash) were HK\$2,717 million (31 December 2019: HK\$2,941 million), representing 9.8% of the Group's net assets (31 December 2019: 10.3%). Interest for the Group's bank borrowings is mainly on a floating rate basis while interest for the Group's bonds is on a fixed rate basis. The Group will closely monitor the exposure to interest rate fluctuations and, if appropriate, hedge by interest rate swap contracts to the extent desirable.

The Group's bank balances and cash as well as unutilised revolving loan facilities are set out as follows:

	30 June 2020	31 December 2019
	HK\$ million	HK\$ million
Bank balances and cash	2,349	1,740
Unutilised revolving loan facilities	<u>2,350</u>	<u>2,300</u>
	<u>4,699</u>	<u>4,040</u>

Foreign Currencies

The Group principally operates in Hong Kong, and as a result, has immaterial exposure to exchange rate fluctuations. The Group conducts its business mainly in Hong Kong dollars, and to a lesser extent Renminbi, UK pounds, Singapore dollars and Malaysia Ringgits. For transactions in foreign currencies, the Group will closely monitor the exposure and, if appropriate, hedge by local currency financing and other financial instruments to the extent desirable. In particular, exposure to investments in foreign operations in the United Kingdom is substantially covered by local currency financing and forward exchange contracts.

Contingent Liabilities

As at 30 June 2020, the Group had contingent liabilities of HK\$7,030 million (31 December 2019: HK\$7,155 million) in respect of guarantees given by the Company for banking facilities granted to certain joint ventures. The guarantees were given severally and in proportion to the Group's equity interests in the joint ventures.

Pledge of Assets

As at 30 June 2020, the Group's advances to joint ventures of HK\$3,087 million (31 December 2019: HK\$3,158 million) were subordinated to the loan facilities of joint ventures and assigned. The shares in these joint ventures beneficially owned by the Group are pledged to the financial institutions.

As at 30 June 2020, several of the Group's investment properties and properties for sale with carrying values of HK\$4,353 million and HK\$3,399 million, respectively, were pledged to secure credit facilities for the Group.

PROSPECTS

For the second half of 2020, the intensified Sino-US tension, US sanctions on Hong Kong and the new wave of pandemic spread have further dampened the already weakened local economy and property market, and will likely result in increasing unemployment rate and prolonged recession with shrinking GDP.

While the Group will cautiously monitor the development of residential property market in Hong Kong, we believe the pent up demand of local first-time home buyers and low interest rates will form a stable support level for the residential property market. We will continue the sale of the remaining units of our three Upper Gold Coast series, albeit at a slower pace.

Our commercial properties in Hong Kong and London anchor a solid foundation of our balance sheet and will continue to provide steady recurring income and cash flows for the Group. However, the coming lease renewal, occupancy and rental rate for our properties will inevitably be under pressure given the uncertain business outlook. We believe our hotel operations will remain weak until the pandemic is under control and most travel restrictions are withdrawn.

The uncertain outlook on pandemic and economic recovery in the near term may further affect the valuation of our investment properties towards the end of 2020 and may further impact on full year reporting profit despite no cashflow impact on our financials.

The Group has a healthy balance sheet, resilient capital structure, and diversified asset portfolios, and we will remain vigilant against any short term market fluctuation. We will maintain our focus on developing quality projects, delivering premium services, as well as improving the efficiency and cost-effectiveness of our operations, while prudently exploring new opportunities that would generate stable returns for our shareholders.

EMPLOYEES

As at 30 June 2020, the Group had approximately 480 employees. The Group offers comprehensive remuneration and benefit packages to our employees, which are structured according to prevailing salary levels in the market, individual merit and performance. The Group has a mandatory provident fund scheme and an occupational retirement scheme to provide retirement benefits to all employees in Hong Kong.

Employees, including directors, are eligible for the Company's share option plan where the shares options are generally exercisable by phases within ten years.

OTHER INFORMATION

CORPORATE GOVERNANCE

The Company is committed to achieving and maintaining high standards of corporate governance and has established policies and procedures for compliance with regulatory requirements, including the requirements under the Listing Rules. The Company has applied the principles and complied with all the applicable code provisions of the Corporate Governance Code contained in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2020.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as its code of conduct for securities transactions by Directors.

The Company has made specific enquiry of all Directors regarding any non-compliance with the Model Code during the six months ended 30 June 2020, and received confirmations from all the Directors that they had fully complied with the required standard set out in the Model Code throughout the six months.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

During the six months ended 30 June 2020, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares.

INTERIM REPORT

The 2020 interim report containing all the financial and other related information of the Company required by the Listing Rules will be published on the website of the Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the website of the Company at www.wingtaiproperties.com and copies will be dispatched to shareholders of the Company on or about 17 September 2020.

By Order of the Board
WING TAI PROPERTIES LIMITED
Chung Siu Wah, Henry
Company Secretary & Group Legal Counsel

Hong Kong, 28 August 2020

As at the date of this announcement, the Directors are:

Executive Directors:

Cheng Wai Chee, Christopher, Cheng Wai Sun, Edward, Cheng Man Piu, Francis, Chow Wai Wai, John and Ng Kar Wai, Kenneth

Non-Executive Directors:

Kwok Ping Luen, Raymond (Kwok Ho Lai, Edward as his alternate), Hong Pak Cheung, William, Ng Tak Wai, Frederick and Chen Chou Mei Mei, Vivien

Independent Non-Executive Directors:

Simon Murray, Yeung Kit Shing, Jackson, Haider Hatam Tyebjee Barma, Cheng Hoi Chuen, Vincent and Lam Kin Fung, Jeffrey