New World Development 2020/2021 Annual Results

Segment Results From Property Investment Strongly Up 23% Dividend Increased to HK$2.06 Per Share

(30 September 2021, Hong Kong) New World Development Company Limited ("NWD" or the "Company", Hong Kong stock code: 0017) today announced the audited consolidated annual results of the Company and its subsidiaries (collectively the "Group") for the financial year ended 30 June 2021.

Consolidated Highlights:

- The Group recorded consolidated revenues of HK$68,233.2 million, up 15.6%. Underlying profit was HK$6,978.0 million and profit attributable to shareholders of the Company was HK$1,171.6 million, up by 5.9% and 6.9% respectively
- FY2021 final dividend: HK$1.50 per share or full year HK$2.06 per share, increased HK$0.02 per share compared to FY2020 (after share consolidation), maintains prevailing sustainable and progressive dividend policy
- The Group's attributable contracted sales in Hong Kong amounted to about HK$42.4 billion, which exceeded its FY2021 Hong Kong contracted sales target of HK$20 billion
- The Group's overall contracted sales in Mainland China amounted to about RMB20.2 billion, which exceeded target for the year
- Robust 23% YOY growth in segment result of property investment following a steady improvement in the overall average occupancy rate of its large-scale integrated project Victoria Dockside and K11 ATELIER King's Road
- Continuous stringent cost control efforts as evidenced by the 12% YOY decrease in recurring administrative and other operating expenses
- Non-core asset disposal amounted to approximately HK$18 billion in FY2021, exceeded its target of HK$13 billion to HK$15 billion for the year
- Total capital resources amounted to HK$118.6 billion, including cash and bank balances of approximately HK$62 billion and undrawn facilities from banks of approximately HK$56.6 billion
- Net gearing ratio declined to 35.6% from 41.6% as at the end of June 2020
- Overall financing cost has decreased to 2.76% from 4.05% in FY2020
- All refinancing of borrowings due in FY2022 has been taken care of

Strategy: Focus on The GBA and YRD Region, Achieve Sustainable Growth with the Development of Investment Properties

- Core businesses include property development, property investment, roads, aviation, construction and insurance, with a major focus on the Greater Bay Area and the Yangtze River Delta Region
- As K11 projects gradually complete across Greater China, the increasing recurring rental income provides stable growth momentum for our business
- By incorporating ESG factors into business, we have leveraged on the power of business to give back to the society. Our ecosystem, which covers all aspects of daily life, creates micro societies to promote industry-city integration and social innovation. We have been creating shared value to all stakeholders
- The Group will continue to improve operation efficiency. Through disposal of non-core assets, we will allocate resources in a more efficiently way to core business and optimise assets and business portfolio

- The Group will continue with its prevailing sustainable and progressive dividend policy
- Equity raising is not necessary for the Company in the foreseeable future

Property Development: Newly-completed Projects Strongly Drove Segment Results Up

Hong Kong – Contract sales significantly exceeded annual target thanks to brand effect

- Overall gross margin of Hong Kong's property development was 44%
- Attributable contracted sales in Hong Kong amounted to about HK$42.4 billion, which exceeded The Group's FY2021 Hong Kong contracted sales target of HK$20 billion
- As at 30 June 2021, among the unrecognised attributable income from contracted sales of properties in Hong Kong, HK$3,590 million and HK$24,815 million would be booked in FY2022 and FY2023 respectively
- The Grade A office project at 888 Lai Chi Kok Road, Cheung Sha Wan, was the first major project launched by the Group following the abolition of the Double Stamp Duty on non-residential property transactions announced by the government. As at 30 June 2021, the project sold 105 units and three entire floors, contributing HK$2.76 billion to the attributable contracted sales
- A number of major projects are scheduled for launch in phases, including the office project in Wing Hong Street, West Kowloon, the Phase V development project of "THE SOUTHSIDE" atop Wong Chuk Hang MTR Station, and the three residential projects developed by its consortium at the Kai Tak Runway area in East Kowloon

Mainland China - New World China's operational headquarters moved to Guangzhou, embarking on a completely new journey

- Overall gross margin of the Group's property development segment results was 40%
- During the year under review, the Group's total contracted sales area of properties in Mainland China were approximately 702,000 sq m, with total sales proceeds amounting to approximately RMB20.2 billion. Breaking down the geographical distribution of contracted sales proceeds, the Southern Region, led by the Greater Bay Area, was the largest contributor, accounting for approximately 65%
- The average price of overall residential contracted sales exceeded RMB 34,000 per sq m
- Contributions were mainly generated from the sale of residential projects, specifically Guangzhou Covent Garden, Guangzhou Park Paradise, Guangzhou New Canton Mansion, Shenzhen Prince Bay BAYHOUSE and Shenyang New World Garden
- As of 30 June 2021, the Group's unrecognised gross income from contracted sales of properties in Mainland China amounted to approximately RMB14,661 million, of which RMB12,483 million will be booked in FY2022 and RMB2,178 million will be booked in FY2023
- During the year under review, the Group's total GFA of projects completed in Mainland China (excluding carparks) was approximately 884,000 sq m, a large portion of which is located in the Greater Bay Area, the Yangtze River Delta Region and the North-eastern Region. In FY 2022, the total GFA of completion (excluding carparks) is expected to reach approximately 1,167,000 sq m
- During the year under review, New World China, the Group's flagship property arm in Mainland China moved its operational headquarters to Guangzhou to unify and concentrate the Group's own and related businesses, talent, and technical and financial resources in Mainland China. This will facilitate increased localisation, promote deeper cooperation and collaboration, ramp up premium presence, improve decision-making and execution, and achieve faster project development. The Group aims to breathe new meaning to the "Soul of the City" by embarking on a new journey

with a fresh start, incorporating innovative concepts at an unprecedented speed to a vast landscape

Property Investment: K11 Projects Leading to Increased Recurring Rental Income

Hong Kong – Increasing market share with proactive business strategy

- Revenue from the property investment segment in Hong Kong increased by 10% and segment results increased by 31%, mainly due to a steady improvement in the overall average occupancy rate of Victoria Dockside and K11 ATELIER King's Road
- Leveraging on the Group's strong brand character and proactive business strategy, K11 MUSEA experienced an increase of 33% in total footfall and 86% in sales, which mainly stemmed from top-tier international brands, catering, personal care and beauty outlets
- K11 Art Mall has rolled out a range of activities to stimulate sales amidst the pandemic, leading to a notable rebound in its traffic flow with a new 18-month high recorded in June 2021. A series of successful sales campaigns also recruited large numbers of members with high spending power for the Group. As such, the sales from its gold card and general memberships advanced by more than 30% and 60% on a year-on-year basis, respectively. The overall occupancy rate remained nearly 100%
- Riding on the trend of exiting traditional commercial districts, the Group has been strategically developing new office hubs in non-traditional core commercial districts such as Island East and Tsim Sha Tsui whose occupancy rates continued to climb amidst improving market sentiment. A number of property investment projects in Cheung Sha Wan and Hong Kong International Airport are in the pipeline
- The office towers of "11 SKIES", a pipeline project situated in Hong Kong International Airport, have entered the pre-leasing stage. The Group offers specific tenants attractive lease packages to draw such Greater Bay firms that focus on wealth management and healthcare services

Mainland China - K11 project pipeline expanding the Group's property portfolio

- During the year under review, the Group's revenues of property investment in Mainland China amounted to HK$1,861.6 million, increasing by 6% YOY due to stable occupancy rates of major projects in the investment property portfolio
- A robust consumption recovery in Mainland China and the unique brand value of the K11 brand helped the strong performance. Sales across 6 K11 Art Malls owned or managed by the Group in Shanghai, Wuhan, Guangzhou, Shenyang and Tianjin surged by 65% from the same period last year.
- The Group's second cultural commercial project in Wuhan —— Wuhan K11 Art Mall commenced full operation, bringing cultural creativity and commercial vitality to Wuhan and Central China, elevating the commercial landscape of Central China, and continues to be at the forefront of the retail consumer market
- The South Tower of the Shenzhen Qianhai CTF Financial Tower, with a height of approximately 120 metres, had its main structure completed in May 2021, and was sold in July 2021. The North Tower, with a height of approximately 220 metres, is expected to have its main structure construction completed in late 2021. The entire project is expected to be completed in 2023, and will facilitate the development of the local economy and financial sector in Qianhai, Shenzhen
- The Group's Prince Bay Complex Project in Shekou, Shenzhen will have its main structure construction complete by the end of the year, and the whole project is expected to be launched in phases starting from the year of 2024. The

project's commercial portion will include Shenzhen's first K11 and smart technology paternity mall D·PARK to shape the commercial landscape in Shenzhen

- By FY2026, K11 will have its footprint in ten major cities across Greater China, with a total 40 projects and a GFA of 2.926 million sq m. With the gradual completion and opening of K11 projects across China in the pipeline, the Group's recurring rental income will continue to grow, and will serve as a key driver to stabilize and boost overall business performance of the Group

Land Bank: Use of multiple channels and resources to fuel continued expansion

Hong Kong – Create better community for the next generation

- For the purpose of addressing the local housing issue, the Group announced its upcoming supply of agricultural land to NGOs and/or the Hong Kong SAR Government in 2019, for building innovative social housing and community buildings to alleviate the housing burden on the underprivileged and boost their upward mobility.
- As of today, four social housing projects have entered into the pre-planning stage and are progressing well. It is expected that over 2,000 housing units in total will be created to ease the cost of housing for the underprivileged. In particular, the Fanling housing project has received the approval from the Town Planning Board, and will soon begin construction. The Group will continue to liaise and collaborate closely with NGOs and related government departments in the hope of creating innovative and unique social housing projects for Hong Kong's next generation
- As at 30 June 2021, the Group had a landbank with a total attributable GFA of approximately 9.38 million sq ft in Hong Kong available for immediate development, of which approximately 4.5 million sq ft was for property development use
- The Group had an agricultural landbank with a total attributable land area of approximately 16.37 million sq ft pending land use conversion
- The Group managed to unify the ownership of the State Theatre Building, a residential and commercial joint venture project located at 277-291 King's Road, North Point at the floor price of HK$4,776 million in October 2020. There, the Group commenced a large-scale heritage conservation project led by private developers, a rarity in Hong Kong over recent years. The Group is working with international and local teams of building conservation elites on comprehensive and meticulous exploration

Mainland China - Focusing on the Greater Bay Area, Improving the Yangtze River Delta Region

- As of 30 June 2021, the Group had a landbank (excluding carparks) with a total GFA of approximately 5.69 million sq m available for immediate development in Mainland China, of which approximately 3.16 million sq m is zoned for residential use
- Core property development projects located in Guangzhou, Shenzhen, Foshan, Wuhan, Shanghai, Ningbo, Hangzhou, Beijing, Shenyang and other cities make up a GFA of approximately 5.00 million sq m
- The Greater Bay Area and the Yangtze River Delta Region have a landbank (excluding carparks) with a total GFA of approximately 3.43 million sq m
- In July 2021, the Group officially announced construction had begun at its land parcel in Huaihai Middle Road of Huangpu District, Shanghai. The total cycle from land acquisition to construction commencement took less than a year, demonstrating the Group's efficient execution capabilities. The project (excluding carparks) covers a total GFA of approximately 100,000 sq m. Upon completion, it will create synergy with the Group's existing Shanghai K11 Art

Mall. It will also serve as a new cultural landmark in Shanghai, increasing awareness about Shanghai's heritage and culture, and further cementing the Group's strategic presence in the Yangtze River Delta Region

- During the year under review, the Group fast-tracked a number of its urban renewal projects. The Dawanggang Society project of Tagang Village in Guangzhou's Zengcheng District Guangzhou and the Xinwei Industrial Zone Project on Xili North Road Shenzhen are expected to begin housing demolition and relocation in late 2021. In late August 2021, the Group became the cooperative enterprise for the Nanji Village Project in Haizhu District in Guangzhou. In the interim, the Group has accelerated the development of the Xiajie Village Project in Zengcheng District in Guangzhou. The above-mentioned urban renewal projects will contribute to maintaining steady development and growth for the Group

****

Founded in 1970, **New World Development Company Limited** ("The Group", Hong Kong stock code: 0017) was publicly listed in Hong Kong in 1972 and is a constituent stock of the Hong Kong Hang Seng Index. A premium brand infused with a unique personality best defined by The Artisanal Movement, New World Group's core business areas include property development, property investment, road, aviation, construction and insurance. Its operations in Greater China, especially the Greater Bay Area, had a total asset value of approximately HK$627 billion as at 30 June 2021. The Group has an effective interest of approximately 61% in NWS Holdings Limited (Hong Kong stock code: 0659) and approximately 75% in New World Department Store China Limited (Hong Kong stock code: 0825) and wholly owns New World China Land Limited.

For enquiry, please contact:

New World Development Company Limited
Investor Relations Department
ir@nwd.com.hk
Agency Representative
nwd@iprogilvy.com