New World Development 2019/2020 Annual Results

Segment Results From Property Investment Up 26% Dividend Maintained At HK$2.04 Per Share

(30 September 2020, 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 2020.

Consolidated Highlights:

- Underlying profit amounted to HK$6,588.9 million notwithstanding a very challenging operating environment due to social incidents in 1H FY2020 and COVID-19 in 2H FY2020
- FY2020 final dividend: HK$1.48 per share or full year HK$2.04 per share, the same as in FY2019 (after share consolidation), maintains prevailing sustainable and progressive dividend policy
- Robust 19% year-on-year growth in revenues of the property investment segment of the Group following the opening of K11 MUSEA and K11 ATELIER King's Road in FY2020 despite rental concessions granted to tenants
- High property development gross margin of 57% achieved in both HK and Mainland China, reflecting the strong brand equity of the Group
- Stringent cost control efforts evidenced by the 8% year-on-year decrease in recurring administrative and other operating expenses
- Non-core disposals amounted to approximately HK$10.6 billion in FY2020, exceeded target for the year
- Total capital resources amounted to HK$106.7 billion, including cash and bank balances of approximately HK$67.4 billion and undrawn facilities from banks of approximately HK$39.3 billion
- Net gearing ratio declined to 41.6% from 42.2% at end of December 2019
- The Group has been consolidating its foundation with its core business dual engine of property development and property investment, as well as recycling its capital though non-core asset disposal to weather the turmoil brought by the macro environment. In the meantime, the Group is well poised for further growth driven by a pipeline of investment property flagships to be completed

Key Development Strategy: Focus On The Greater Bay Area, Investment Properties To Drive Further Growth

- Core businesses include property development, property investment, roads, aviation, construction and insurance, with a major focus on the Greater Bay Area
- The Group will continue its prevailing sustainable and progressive dividend policy
- The Group has endured different storms, with its solid foundation, abundant resources and cash flow, it will continue its sustainable business development
- Equity raising is not necessary for the Company in the foreseeable future
- The Group will continue to improve its operation efficiency. Through disposal of non-core assets, it will invest resources more efficiently in core business development and optimise assets and business portfolio
- With the operation commencement of investment properties such as K11 MUSEA at Victoria Dockside and K11 ATELIER King's Road, the growth of the Group's recurring income and cash flow will enter a stage of acceleration into which the successive completion of a pipeline of investment property projects in the future will inject more momentum

Major Results: Growth In Property Investment In Hong Kong And Property Development In Mainland Despite Adversities

- Underlying profit: HK$6,588.9 million, basic earnings per share from underlying profit: HK$2.58
- Segment results: HK$13,918.7 million
- Results performance recorded was mainly attributable to the hit by the epidemic in various segments, especially those related to hotel and travel, while no new project completion and handover in Hong Kong property development segment
- Supported by the opening of K11 MUSEA and K11 ATELIER King's Road in Hong Kong, the property investment segment recorded outstanding performance, with revenue and segment results rising by 19% and 26% respectively. Revenue and segments results in Hong Kong increased significantly by 33% and 50%
- With the increase in contribution from projects in the Greater Bay Area, the property development in Mainland China saw a 19% increase in segment results and an overall gross profit margin of 57%, an increase of 11 percentage points
- The progress of the non-core assets disposal exceeded target. As at 30 June 2020, the total amount exceeded HK$10 billion

Sound Financial Position: Proactive Financial Management, Refinancing In An Orderly Manner, Proper Risk Balancing

- Total capital resources amounted to HK$106.7 billion, including cash and bank balances of approximately HK$67.4 billion and undrawn facilities from banks of approximately HK$39.3 billion
- Net gearing ratio declined to 41.6% from 42.2% at end of December 2019
- Fixed-rate borrowings and floating-rate borrowings accounted for 32% and 68% of total borrowings respectively
- As at 30 June 2020, all refinancing of FY2021 maturity have been taken care of. Equity raising is not necessary for the Company in the foreseeable future
- FY2020 final dividend: HK$1.48 per share or full year HK$2.04 per share, the same as in FY2019 (after share consolidation), maintains prevailing sustainable and progressive dividend policy

Property Investment: New Flagship Projects Driving Growth In Cash Flow

Hong Kong – Increase Of 33% In Revenue Of Property Investment Driven By The Operation Commencement Of K11 MUSEA And K11 ATELIER King's Road

- In FY2020, two Hong Kong investment property flagship projects were completed which enhanced the Group's rental property portfolio significantly and brought a total area of 1.5 million sq ft to the portfolio. Revenue from the property investment segment in Hong Kong increased by 33% and segment results increased by 50%. The new projects added will begin to provide full-year contribution in FY2021
- The grand opening of Victoria Dockside in Tsim Sha Tsui took place during the year under review. The occupancy rate of K11 MUSEA was over 90% while average monthly footfall reached 1.4 million
- K11 ATELIER King's Road, a Grade A office building on Hong Kong Island East, commenced operation at the end of 2019, about 50% has been leased
- The remaining leasable area will inject more growth momentum to rental income

Mainland China - Further Growth Of Rental Income Driven By Expansion Of Property Portfolio With The Gradual Completion Of Investment Property Projects

- Revenue of property investment in Mainland China increased by 2%, mainly attributable to the full-year contribution from Guangzhou New World • NEW PARK, which opened at the end of December in 2018 and the increase in average rent of Shenyang K11, which were offset by the impact of epidemic resulting in a decrease of 2% in segment results

- A pipeline of quality composite projects will be launched soon, which will be operated through the Group's unique brands K11 and D·PARK to further prop up the rental contribution in Mainland China
- Wuhan K11, the Group's second shopping mall project in Wuhan will debut first and is scheduled to commence operation in phases starting from the end of 2020, followed by successive completion of projects in Ningbo and Shenzhen

Property Development: Gross Margin Enhanced By Premium Projects

Hong Kong – Manifestation Of Brand Equity In Products, Highly Sought-After Tai Wai Station Project Well-Poised To Be Launched

- Overall gross margin of Hong Kong's property development was 57%, an increase of 23 percentage points, driven by the increase in the average selling price of units in MOUNT PAVILIA and FLEUR PAVILIA recognized in this fiscal year
- Attributable contracted sales during the year under review was over HK$13 billion
- As at 30 June 2020, unrecognised attributable income from contracted sales of properties amounted to HK$12.3 billion, of which HK$7.0 billion, HK$1.2 billion and HK$4.1 billion were to be booked in FY2021, FY2022 and FY2024, respectively
- About 3,000 residential units of the Tai Wai Station project in Sha Tin will be launched gradually in phases, approximately 2,200 units of the first and second phases will be launched after the issue of pre-sale consent, of which the pre-sale consent for the 783 units of the project's first phase has been obtained
- The grade A office projects in Cheung Shun Street and Wing Hong Street of West Kowloon will be launched as planned

Mainland China – Projects In The Greater Bay Area Enhancing Gross Margin And Driving Growth In Results

- Despite the impact of the epidemic on sales resulting a 4% fall in property development revenue in Mainland China, segment results rose 19%, with revenues and results from the Greater Bay Area surged 45% and 73% year-on-year respectively
- Overall gross margin was 57%, representing a growth of 11 percentage points, among which the gross margin of projects in the Greater Bay Area reached 70%
- Total proceeds of contracted sales amounted to RMB18.18 billion, with greatest contribution of 60% from the Greater Bay Area
- The average selling price of overall residential contracted sales exceeded RMB38,000 per sq m, up 23%
- Shenzhen Prince Bay BAYHOUSE project recorded stunning sales performance through online sales services during the epidemic
- As at 30 June 2020, unrecognised gross income from contracted sales of properties in Mainland China amounted to RMB9.1 billion, of which RMB5.0 billion was to be booked in FY2021 and RMB4.1 million to be booked in FY2022

Land Bank: Seeking And Managing Development Resources Through Diversified Channels

Hong Kong – Replenishment Of Land Bank Through Different Means

- As at 30 June 2020, the Group had a landbank with a total attributable GFA of approximately 9.1 million sq ft in Hong Kong available for immediate development, of which approximately 4.2 million sq ft was for property development use

- the Group had an agricultural landbank with a total attributable land area of approximately 16.51 million sq ft, of which eight projects with a total GFA of approximately 1.8 million sq ft located in Yuen Long and Fanling are under active negotiation with the authority on land use conversion, a total GFA of approximately 0.5 million sq ft has entered the final stages
- In August 2020, State Theatre Building, a residential and commercial property located at 277–291 King's Road, North Point, which the Group's non-wholly owned subsidiary holds over 90% ownership, was approved for a compulsory sale by the Lands Tribunal. The project covers a site area of approximately 36,000 sq ft and for which the feasibility and plan of conservation will be explored upon completion of ownership unification

Mainland China – Focus On The Greater Bay Area, The Most Active Hong Kong Developer Expanding In Old City Redevelopment

- With strategic coverage in key cities of the Greater Bay Area and other metropolitan areas in Mainland China, the total GFA of land bank (excluding carpark) of the Group amounted to approximately 6.48 million sq m, of which the total GFA of core projects was approximately 5.7 million with 50% located in the Greater Bay Area
- In the past four years, the Group acquired a number of projects in the Greater Bay Area with different means, totaling approximately 1.5 million sq m, realising the Group's strategy to focus on the Greater Bay Area. Land parcels acquired will be gradually included into land bank from FY2021
- As the most active Hong Kong developer expanding in old city redevelopment, the Group has successfully became the intended cooperative enterprise for the six projects with a total GFA of 1.8 million sq m, including the remodelling project of Economic Belt at Man Kam To Crossing in Lo Wu District of Shenzhen, the Xili Project in Nanshan District of Shenzhen, the Shancun Project in Liwan District of Guangzhou, the Nanji Village Project in Haizhu District of Guangzhou, the Tagang Village Project in Zengcheng District of Guangzhou and Xiajie Village in Licheng Street in Zengcheng District of Guangzhou, which are expected to be included in landbank successively starting in 2022, boosting its sustainable development resources significantly
- Through public auction and tender, the Group also acquired two land parcels in Hangzhou, one of the six metropolitan areas in the Yangtze River Delta, as well as its central city Shanghai in July 2019 and August 2020, the total GFA of which were 450,000 and 130,000 sq m respectively, completing the Group's strategic move in Eastern China

This media information is also available on NWD's website (www.nwd.com.hk).

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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$600.2 billion as at 30 June 2020. 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.

新世界發展有限公司
New World Development Company Limited
(Stock Code: 17.HK)

For media enquiry, please contact:

New World Development Company Limited

Corporate Communication – Jane Ha

Tel: +852 3110 4701 / +852 5200 0160

Email: janeha@nwd.com.hk 電郵：janeha@nwd.com.hk