

# 50

*year legacy*

FY2020 ANNUAL RESULTS

ANALYST PRESENTATION

30 September 2020

 新世界發展有限公司  
New World Development Company Limited

*The Artisanal Movement*



TRADITION. EVOLUTION. INNOVATION.

WE CREATE, WE ARE ARTISANS, WE ARE CSV.

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# WHY NWD?

*Strong resilience with growth potentials amidst challenging environment*



NATIONAL FOOTPRINT OF **K11** WITH **VISIBLE PIPELINE** AND **RECURRING INCOME GROWTH**

*GFA 3x within 5 years & teens CAGR growth in income*



**EARLIEST AND DOMINANT LEADER IN GBA** AMONG HONG KONG DEVELOPERS

*Stable average contracted sales in Hong Kong & target teens CAGR growth in China*



ACTIVE **NON-CORE DISPOSALS** TO **ENRICH CASH FLOW** AND **RECYCLE CAPITAL**

*HK\$10B+ in FY2020 & target HK\$13-15B in FY2021*



INTEGRATED **GROUP CRM ECOSYSTEM** BOOSTS SYNERGIES AND CUSTOMER VALUE

*Intra-group synergies and customer spendings growing in multiples*



**SUSTAINABLE AND PROGRESSIVE DIVIDEND** PROVIDES HIGH INVESTMENT STABILITY

*Maintained HK\$2.04/share vs FY2019*



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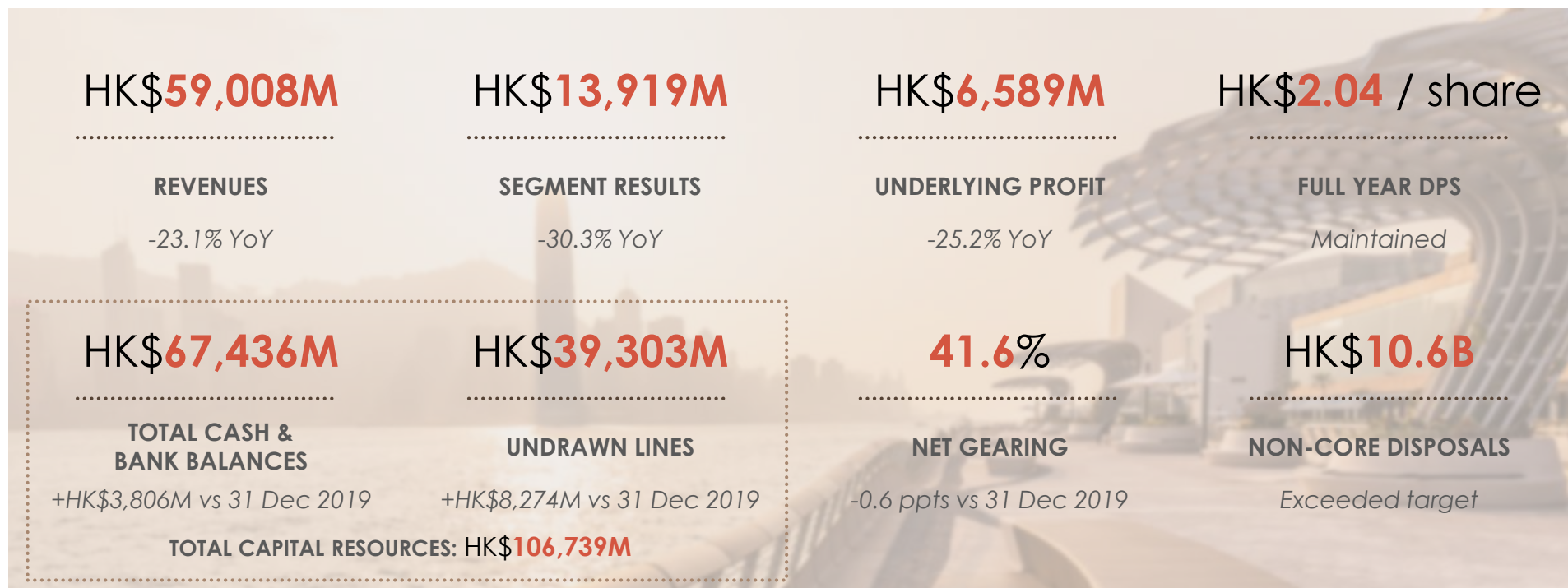
SECTION ONE

FINANCIAL REVIEW

*The Artisanal Movement*

# FY2020 SUMMARY FINANCIALS

*Resilient financial positions and stable dividend despite challenging operating environment*



- Moderate decline in results notwithstanding a **very challenging operating environment** due to social events in 1H FY2020 and COVID-19 in 2H FY2020
- **Stringent cost control efforts** as evidenced by 8% YoY decrease in recurring G&A expenses
- **Property development margin of 57%**, +18 pts YoY, due to **premium pricing** achieved by high quality build

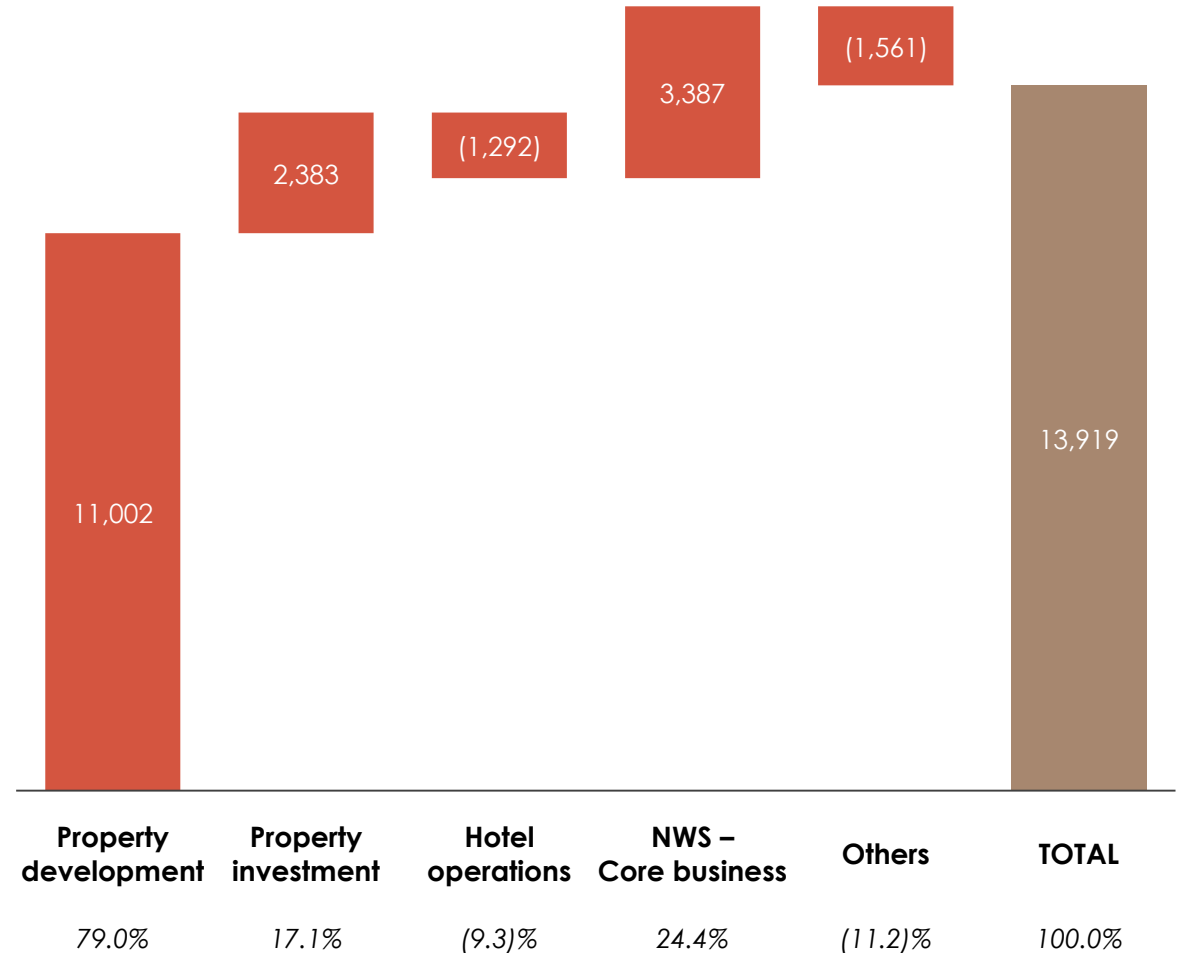


# FY2020 SEGMENTAL RESULTS

*Results remain resilient despite macro challenges*

## SEGMENT RESULTS (HK\$ M)

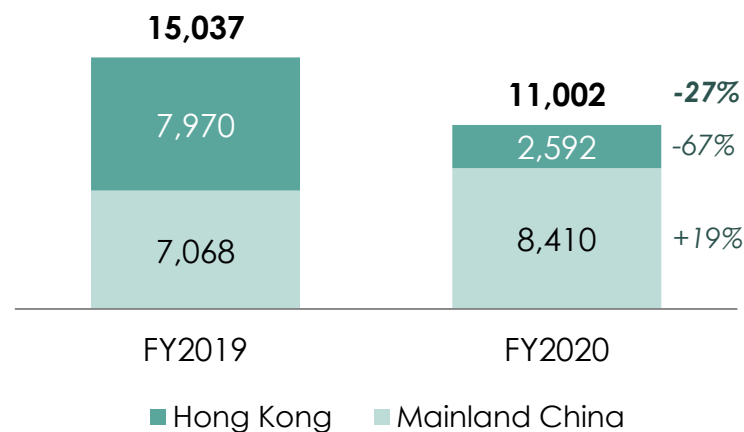
*Total: HK\$13,919M*



# INCREASING GBA EXPOSURE WITH MARGIN UPLIFT

GBA gross margin at 70%

## SEGMENT RESULTS



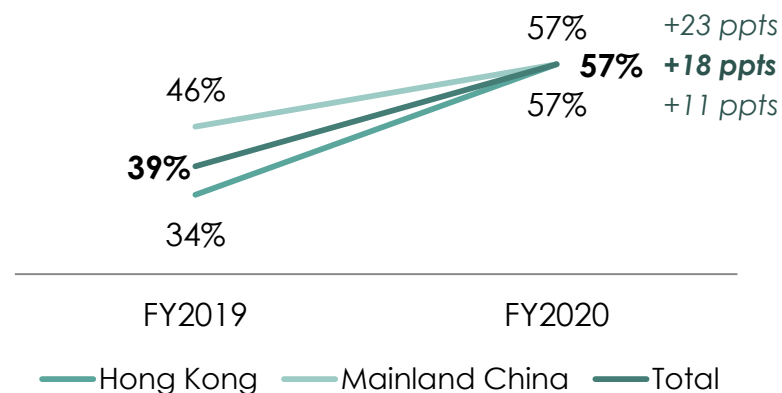
Different booking mix

FY2020  
No new project completion; mainly from the inventory sales

Significant growth in GBA projects

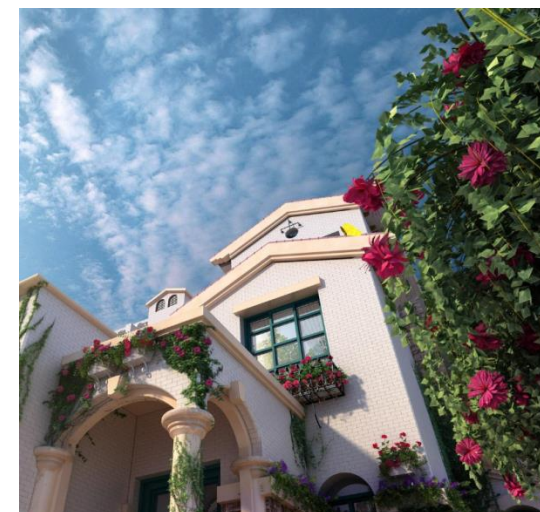
Revenues and segment results from GBA up 45% and up 73% respectively

## GROSS MARGIN



Significant gross margin improvement derived from the outstanding product quality and unique positioning

Overall gross margin of GBA project at 70%



# STRONG CONTRACTED SALES PERFORMANCE

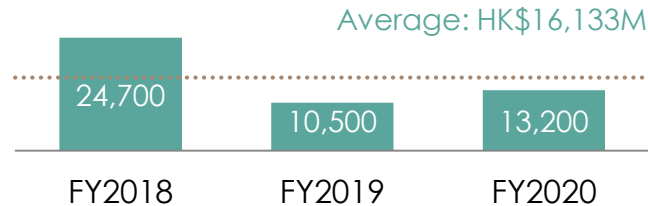
Target average HK\$20B p.a. in Hong Kong and teens CAGR growth in China



## HONG KONG

High quality build command **pricing premium**;  
High scarcity value for **prime locations**

### ATTR. CONTRACTED SALES (HK\$ M)



- Target average HK\$20B** attributable contracted sales p.a. from FY2021-FY2023; **Total saleable resources ~3M sqft** in FY2021-FY2023  
**Total land bank: 9.1M sqft**

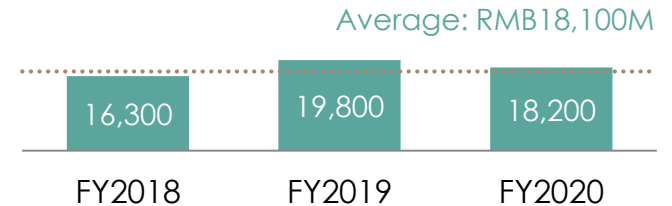
### KEY UPCOMING PROJECTS

**Tai Wai Station residential: total area of ~2M sqft**; 3-phase development at prime location: only large complex atop major MTR station in recent years  
**Two West Kowloon Grade A office buildings: total area of ~900,000 sqft**; 888 Lai Chi Kok and Wing Hong Street in Cheung Sha Wan

## MAINLAND CHINA

Outstanding residential ASP of RMB38,000/sqm (**+23% YoY**);  
Strong margin of 57% (**+11ppts YoY**)

### GROSS CONTRACTED SALES (RMB M)



- Target Teens CAGR Growth** in gross contracted sales from FY2021-FY2023  
**Total land bank: 6.5M sqm**

### KEY UPCOMING PROJECTS

FY2021: **Ningbo – 138,000 sqm**  
FY2022: **Shenyang – 74,000 sqm**  
FY2023: **Guangzhou Zengcheng – 276,000 sqm**  
FY2024: **Guangzhou Panyu – 165,000 sqm**

Note: \*Approximate figures rounded to the nearest thousand

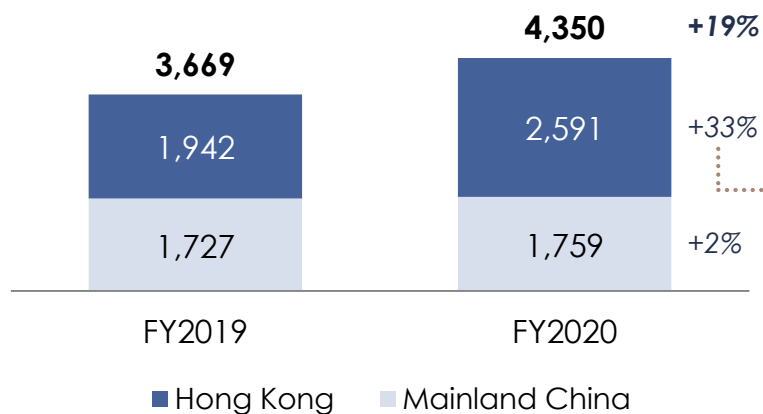


## PROPERTY INVESTMENT

# GROWTH DRIVEN BY K11 MUSEA AND K11 ATELIER KING'S ROAD

+33% gross rental income growth and +50% segment results growth in Hong Kong

## GROSS RENTAL INCOME

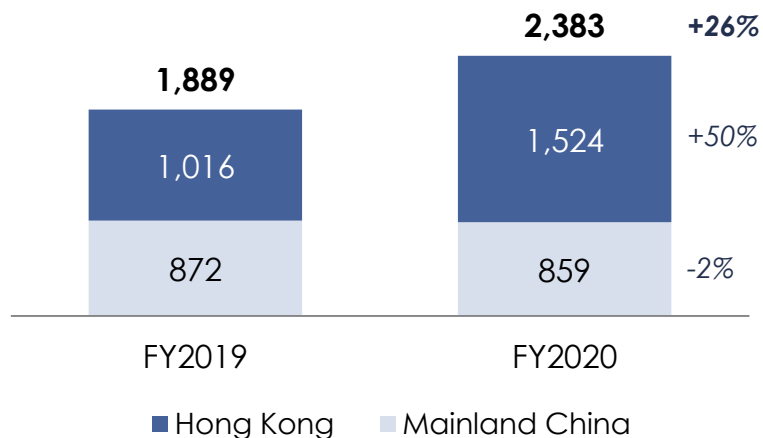


The respective commencement of operation of **K11 MUSEA** & **K11 ATELIER King's Road** commenced operations in August and December 2019

Stable occupancy in major projects

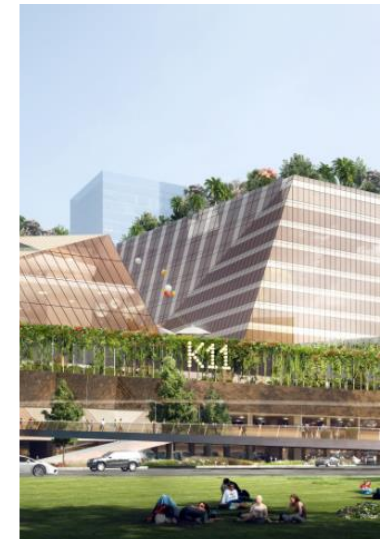
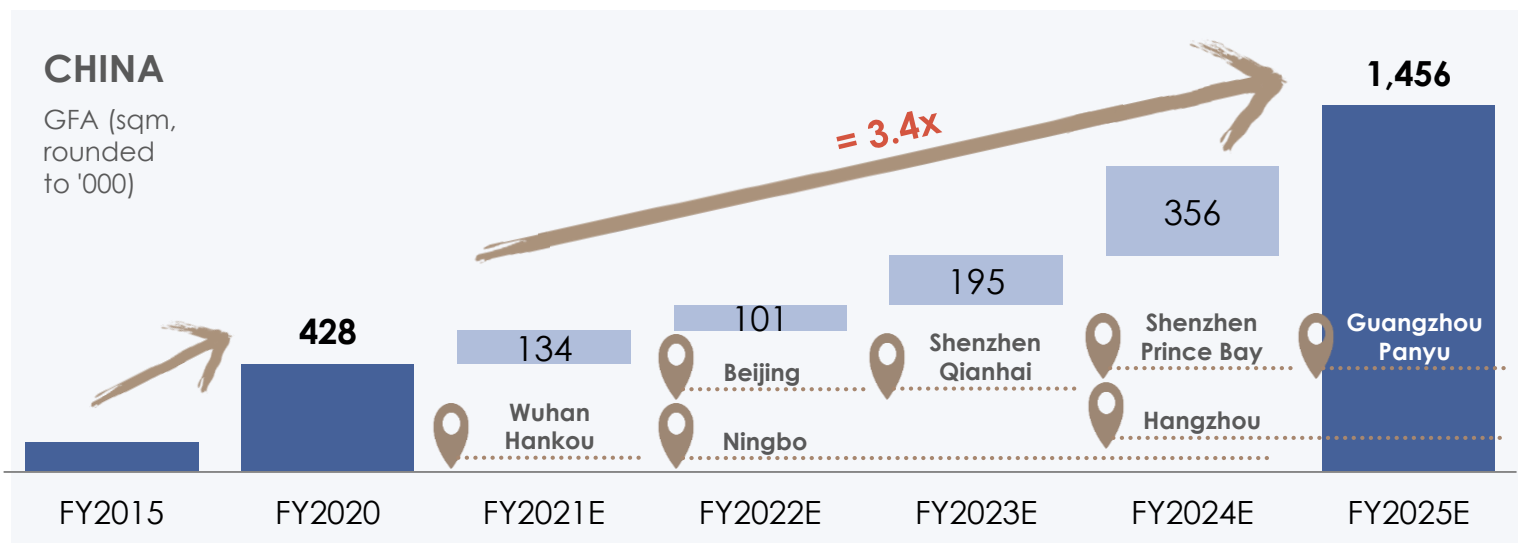
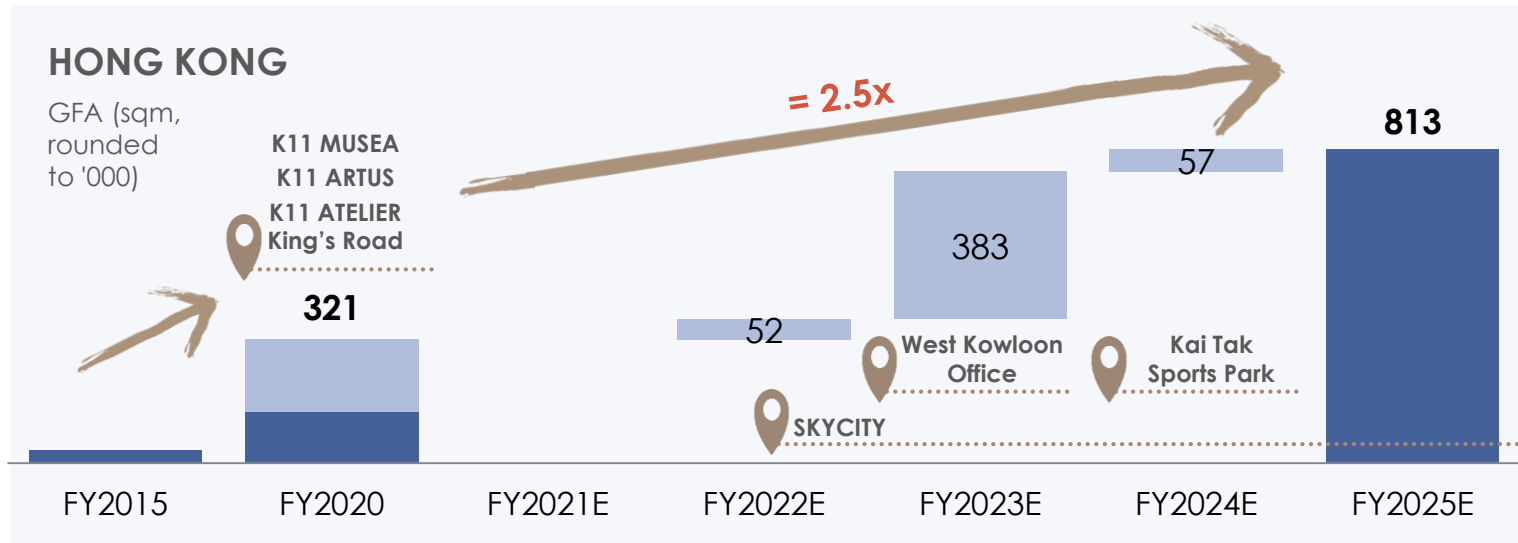


## SEGMENT RESULTS



# STEADY PIPELINE GROWTH OF K11 AND OTHER IP

Strong pipeline in Hong Kong / China (GFA = 3.0x in 5 years) supporting recurring income growth



# STEADY PIPELINE GROWTH OF K11 AND OTHER IP (CONT'D)

## K11 development properties & other investment property pipeline

### K11 DEVELOPMENT PROPERTIES

Status	Site	Type	GFA <sup>1</sup> (sqm)
Current	Hong Kong	K11	34,000
	Hong Kong	D-park	60,000
	Hong Kong Victoria Dockside	K11 Musea	104,000
	Hong Kong Victoria Dockside	K11 Atelier	40,000
	Hong Kong Victoria Dockside	K11 Artus	36,000
	Hong Kong King's Road	K11 Atelier	47,000
	Guangzhou (CTF) <sup>3</sup>	K11	70,000
	Guangzhou (CTF) <sup>3</sup>	K11 Atelier	215,000
	Wuhan (Guanggu)	K11 Select	51,000
	Shanghai	K11	38,000
	Shanghai	Office	81,000
	Tianjin (CTF) <sup>3</sup>	K11 Atelier	141,000
	Shenyang	K11	259,000
<b>CURRENT (13 projects)</b>			<b>1,175,000</b>
FY2021	Wuhan (Hankou 2)	K11	40,000
	Wuhan (Hankou 1)	K11	43,000
	Wuhan (Hankou 1)	K11 Atelier	51,000
	Tianjin (CTF) <sup>3</sup>	K11 Select	46,000
FY2022	Hong Kong SKYCITY	Atelier	52,000
	Ningbo	Phase A: K11 + Atelier	79,000
	Beijing (HACC)	K11 Atelier	9,000
FY2023	Hong Kong SKYCITY	Retail	290,000
	Shenzhen (Qianhai)	K11 Atelier	100,000
	Shenzhen (Qianhai)	Retail	27,000
	Ningbo	Phase B: Atelier	32,000
	Beijing (HACC)	HACC	13,000

Status	Site	Type	GFA <sup>1</sup> (sqm)
FY2024	Hong Kong Kai Tak Sports Center	Retail	57,000
	Shenzhen (Prince Bay)	K11	98,000
	Shenzhen (Prince Bay)	K11 Atelier	25,000
	Shenzhen (Prince Bay)	Cultural Retail Space	9,000
	Hangzhou	K11 Atelier	50,000
	Ningbo	Phases B and C: K11 + Atelier	115,000
	Shenzhen (Prince Bay)	D-park	97,000
	Guangzhou (Hanxi)	D-park	81,000
FY2025	Hangzhou	K11	102,000
	Hangzhou	Culture Centre	6,000
	Wuhan (CTF) <sup>3</sup>	K11	85,000
	Wuhan (CTF) <sup>3</sup>	K11 Atelier	90,000
	Beijing (K11)	K11	52,000
	<b>TOTAL BY FY2025 (38 projects)</b>		

Notes:

- Refers to accountable GFA including above and below ground, and excluding carpark areas. Approximate figures rounded to the nearest thousand; sub-total/ total numbers may not sum due to rounding difference
- Excluding the new Shanghai project, for which the year of opening is TBC; there is also additional GFA planned for certain projects to be completed post FY2025
- Asset owned by external party and managed by NWD

### OTHER INVESTMENT PROPERTY

Status	Site	Type	GFA (sqft)
FY2023	West Kowloon (Cheung Sha Wan)	Office <sup>1</sup>	998,000 <sup>1</sup>
<b>TOTAL BY FY2025 (1 project)</b>			<b>998,000<sup>1</sup></b>

Notes:

- Includes 38,000 sqft of retail space. Approximate figures rounded to the nearest thousand

# STRONG PIPELINE SUPPORTS RECURRING INCOME GROWTH

25-30% CAGR for China K11 recurring income from FY2020-2025





## FINANCIAL & CAPITAL MANAGEMENT

# PRUDENT FINANCIAL MANAGEMENT

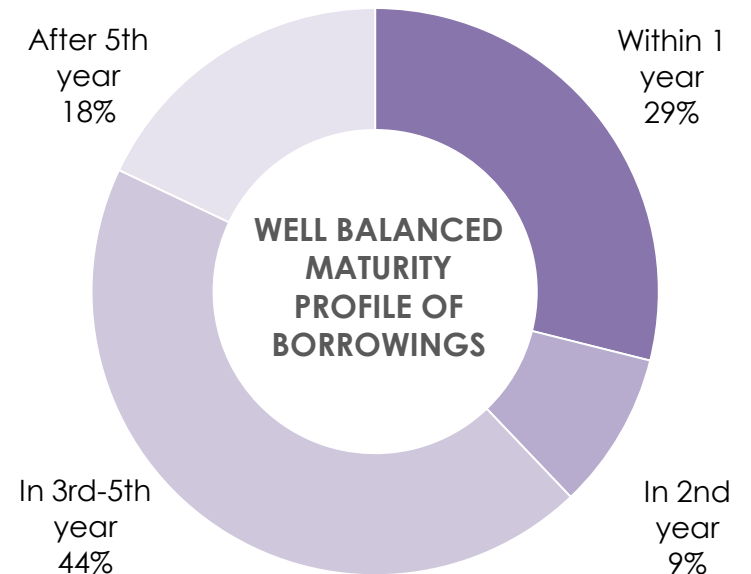
### *Well managed debt maturity portfolio*

32% fixed rate and 68% floating rate

Average cost of capital: 4.05%

**All refinancing taken care of** for FY2021 maturity

As at end of FY2020

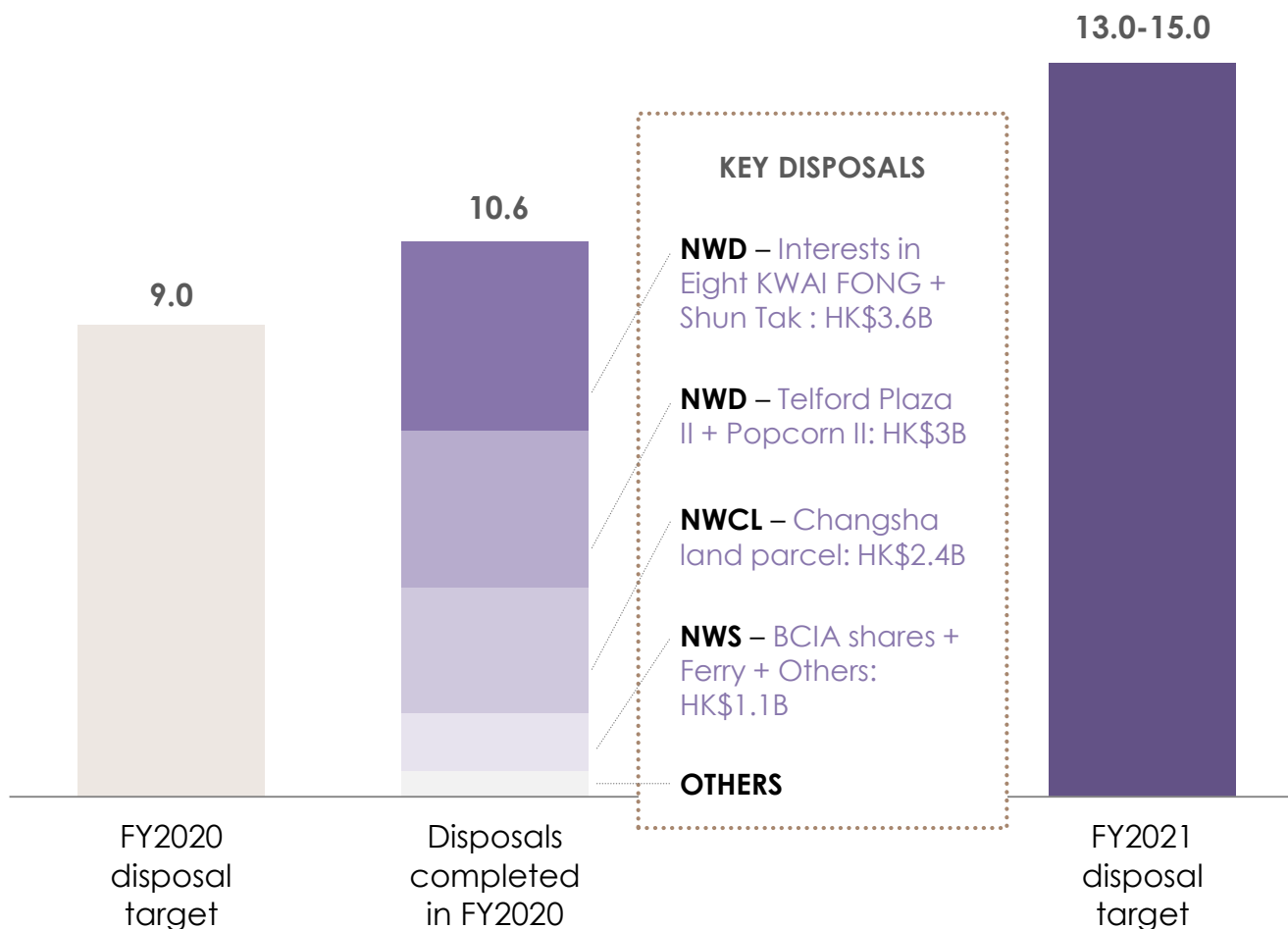


# NON-CORE DISPOSALS EXCEEDED TARGET

Crystallisations of asset value through non-core disposals

## NON-CORE DISPOSALS (HK\$B)

Completed **HK\$10.6B** non-core disposals in FY2020, exceeding target



## POTENTIAL DISPOSAL PIPELINE



### Minority or non-core commercial buildings

- **NWD completed IP** – Minority JV, limited growth, 1,000+ carparks
- **NWCL completed IP** – Low return, non GBA focus



### Continuous review of various businesses



### Select investments in the strategic portfolio

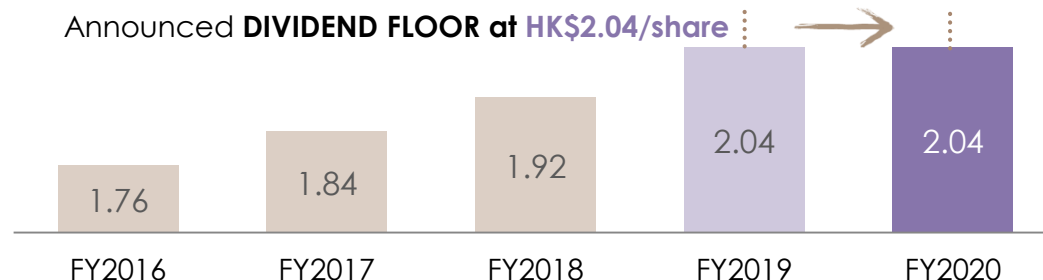
# SUSTAINABLE DIVIDENDS

*Sustainable and progressive dividend coupled with active capital management boost investment stability and confidence*



## DIVIDEND PER SHARE (HK\$)

**Maintained at HK\$2.04/share** despite challenging market environment



## DIVIDENDS SUPPORTED BY THREE PILLARS



Recurring income growth



Abundant saleable resources



Non-core asset disposals

## ACTIVE REPURCHASE OF SHARES

To **demonstrate confidence** in future prospects and **maximise shareholder value**

Period	No of shares repurchased	Total considerations (HK\$)
FY2020	72M	613M
FY2019	30M	321M
FY2018	11M	131M

## 4-TO-1 SHARE CONSOLIDATION

To **optimise shareholder base**

Corresponding **upward adjustment in share price**

Investment in consolidated shares **more attractive to a broader range of institutional and professional investors**

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SECTION TWO

OPERATIONAL REVIEW

*The Artisanal Movement*

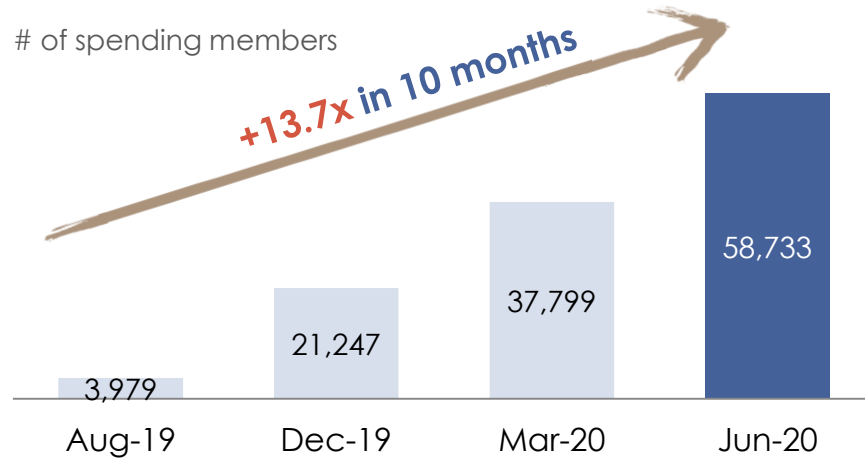


# K11 MUSEA: ONE YEAR ANNIVERSARY

Strong ramp up despite social events & COVID-19

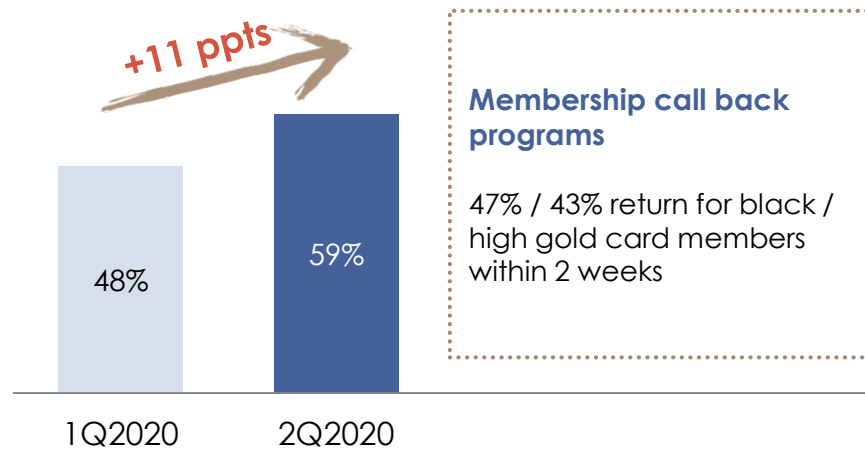
## STRONG MEMBERSHIP GROWTH

# of spending members



## EFFECTIVE CRM PROGRAMME BOOSTING SPENDINGS

CRM sales as % of total sales



ALL LEADING TO STRONG Q2 VS Q1 RECOVERY AND OUTPERFORMANCE VS MARKET



Mall footfall  
**+12%**



App average monthly active user  
**+39%**

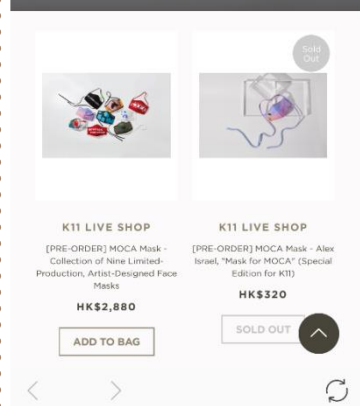
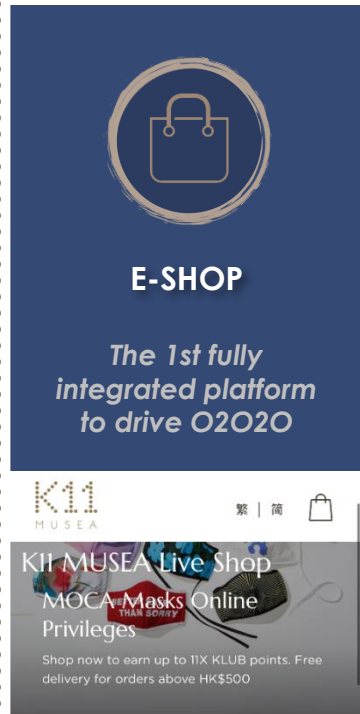
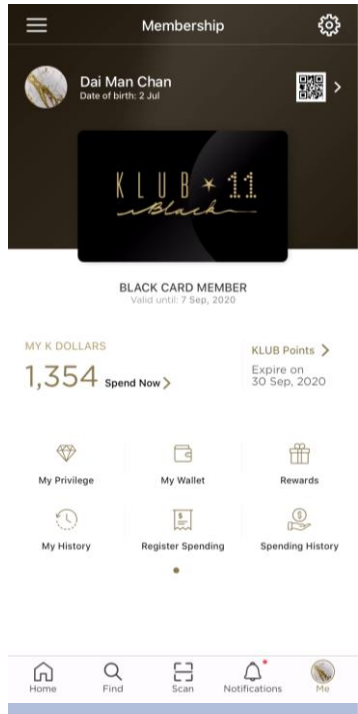


Mall sales growth  
**+35%**  
vs Hong Kong retail market -7%

Source: Census and Statistics Department of HKSAR for Hong Kong average

# K11 MUSEA: ONE YEAR ANNIVERSARY (CONT'D)

Creating multiple new sales channels for the "New Normal"



# K11: GRABBING MARKET SHARE WITH RECORD HIGH SALES

Fully capturing "revenge spending" from pent-up demand across multiple cities

## K11 MUSEA "OUR MUSE SHOPPING FESTIVAL" & K11 "SHOPATHON"



- 10+ days of MUSE festival:  
**HK\$300M+** in retail sales
- MUSEA September retail sales:  
**+2.0x MoM +1.2x YoY**

限聚令放寬 商場現消費反彈 K11 MUSEA：本季營業額料升



放寬限聚首個周末 市民湧商場「報復式消費」

2020年09月12日 19:43



本地消費力撐起 K11 MUSEA第二季營業額升35%



本地消費力撐起

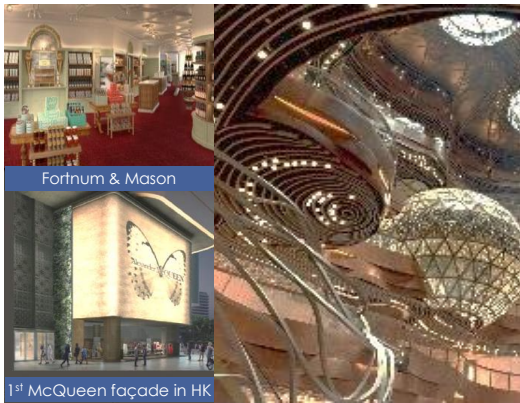
K11 MUSEA第二季營業額升35%



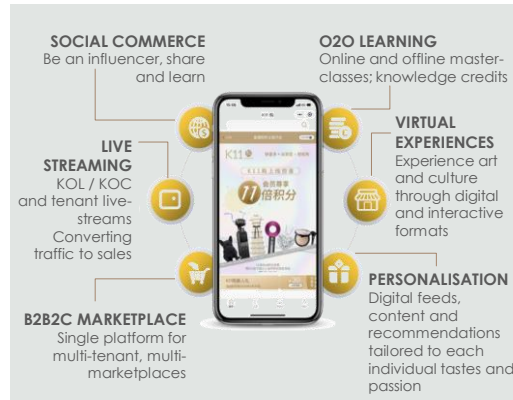
# K11: SUPERIOR PERFORMANCE VS MARKET

Unique experience and differentiation resulting in outstanding performance

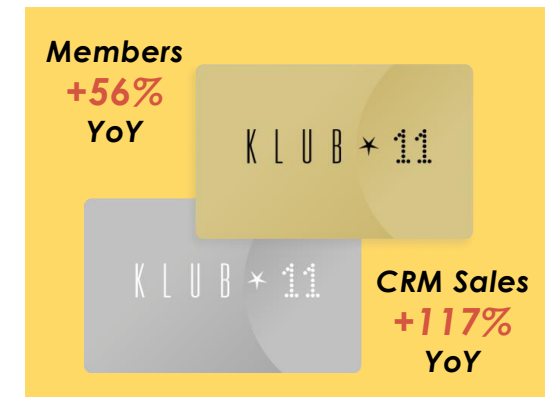
FIRST IN TOWN OR BEST IN TOWN SHOPS IN A FUN AND ARTY ENVIRONMENT



OMNICHANNEL RETAIL AND SOCIAL COMMERCE EMPOWERED BY DIGITAL TECHNOLOGY

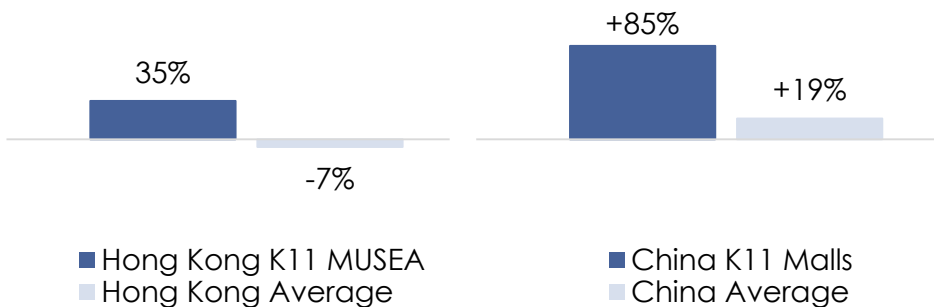


ACTIVE CRM TO MAINTAIN CUSTOMER LOYALTY AND BOOST SPENDING

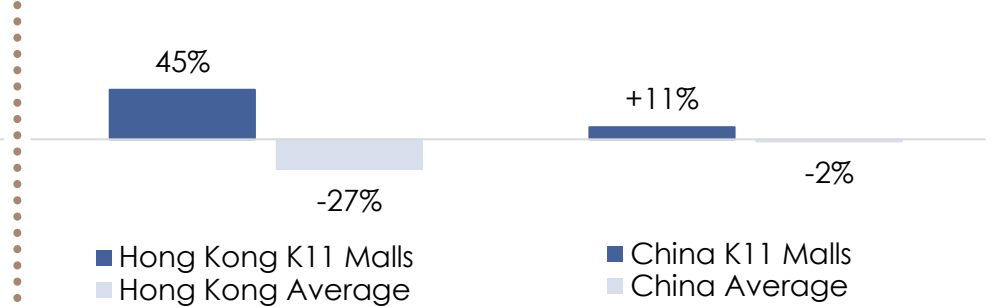


## K11 RETAIL SALES PERFORMANCE VS AVERAGE RETAIL MARKET

Q2 vs Q1 2020



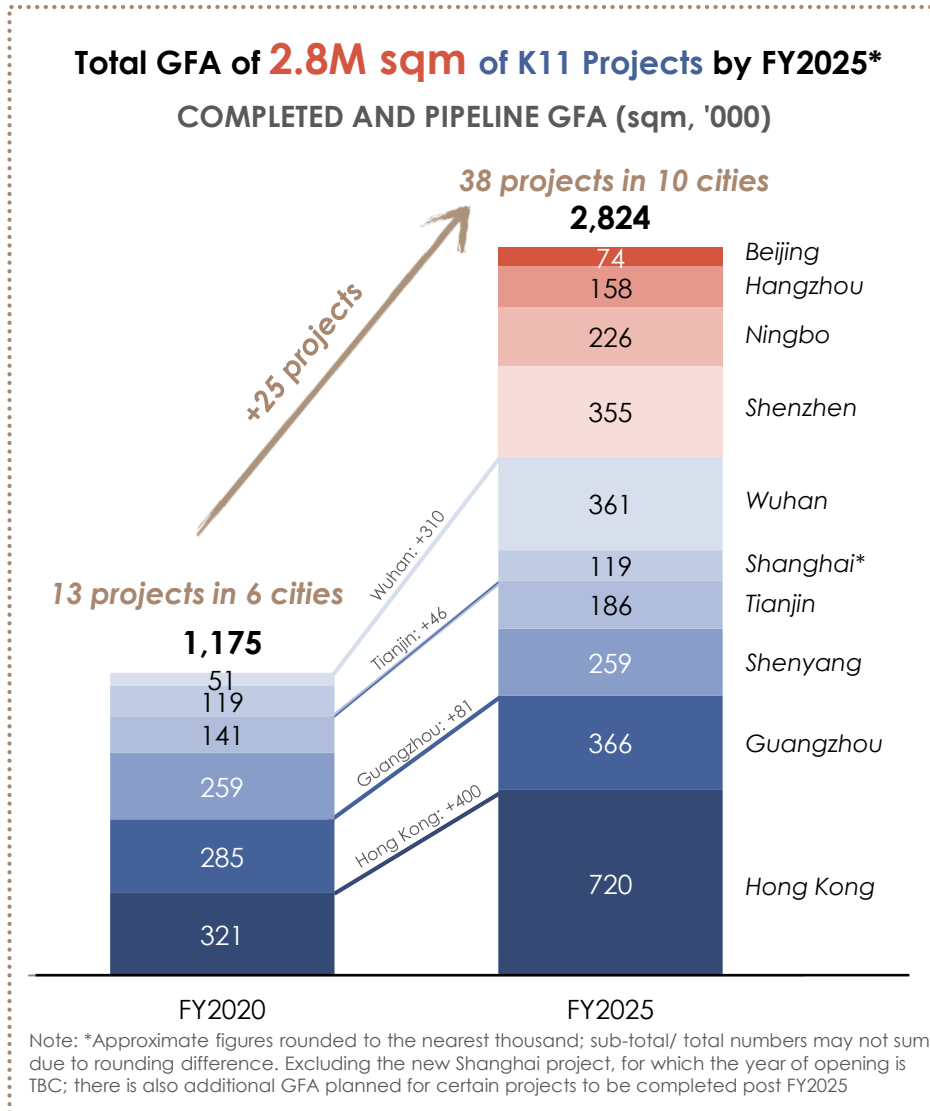
FY2020 vs FY2019



Source: Census and Statistics Department of HKSAR for Hong Kong average; National Bureau of Statistics of PRC for China average

# K11 STRATEGIC EXPANSION IN TIER 1 & HIGH TIER 2 CITIES

Strong millennials + Gen-Z population growth with high spending propensity



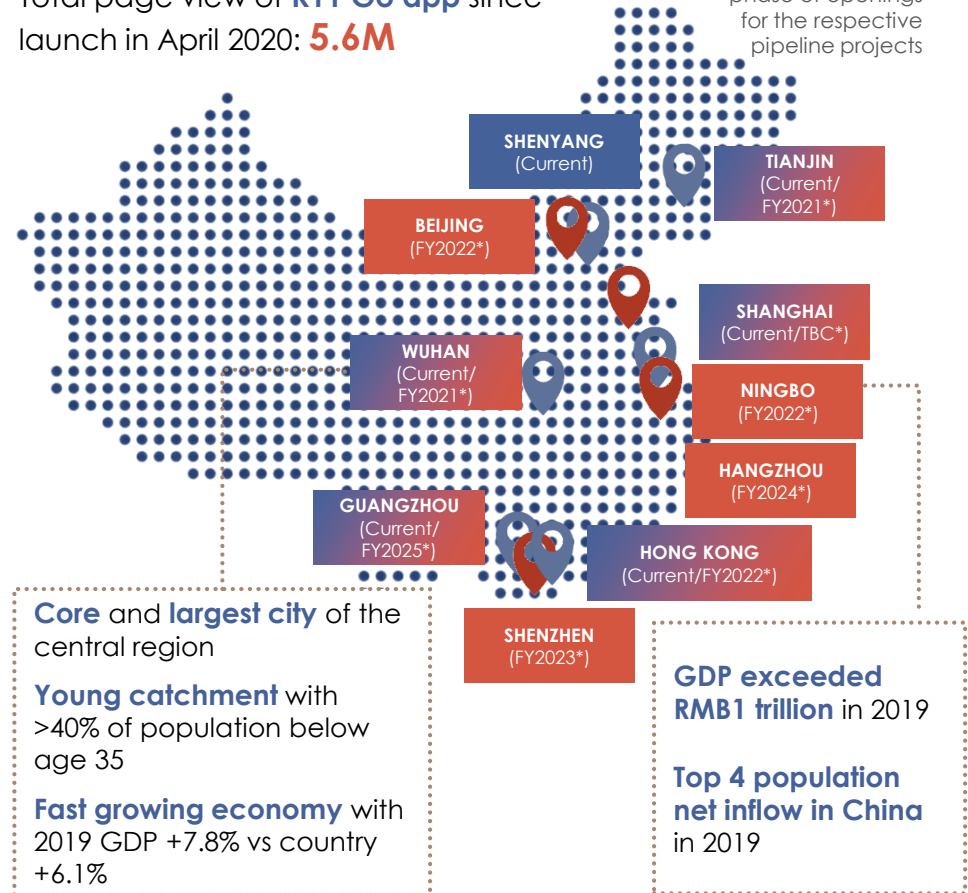
FY2020-2025 China K11 recurring income CAGR: **+25-30%**

Total K11 members: **2.3M**

Social media fans in China: **5.3M**

Total page view of K11 Go app since launch in April 2020: **5.6M**

Note: \* denotes expected the first phase of openings for the respective pipeline projects



# MAINTAIN LEADERSHIP IN GBA AMONG HONG KONG PEERS

*Earliest and dominant leader in the GBA among Hong Kong developers*

## HEAVILY INVESTING IN THE GBA

*Before "GBA" was even official*

**EARLIEST**

First property project in Guangzhou in **1980**  
Residential project in Guangzhou in **1991**

**2.8M sqm** land bank in GBA: **50%** of core land bank

**1.5M sqm** acquired since 2016: **77%** of total acquisitions; initial completion FY2021-FY2023

**DOMINANT**

## FOCUS ON OLD CITY REDEVELOPMENT

*Prime location, limited supply, lower costs*

FY2021	FY2022	FY2023	FY2024+
Shenzhen Nanshan (83,000 sqm)	Guangzhou Zengcheng (100,000 sqm)	Guangzhou Haizhu (176,000 sqm)	Shenzhen Luohu (484,000 sqm)
		Guangzhou Zengcheng (610,000 sqm)	
		Guangzhou Liwan (360,000 sqm)	

Note: The above projects refer to timing to be included in landbank

## 6 REDEVELOPMENT PROJECTS

with a total **1.8M SQM GFA**

**NWD – quality build with full living ecosystem & experienced project team**

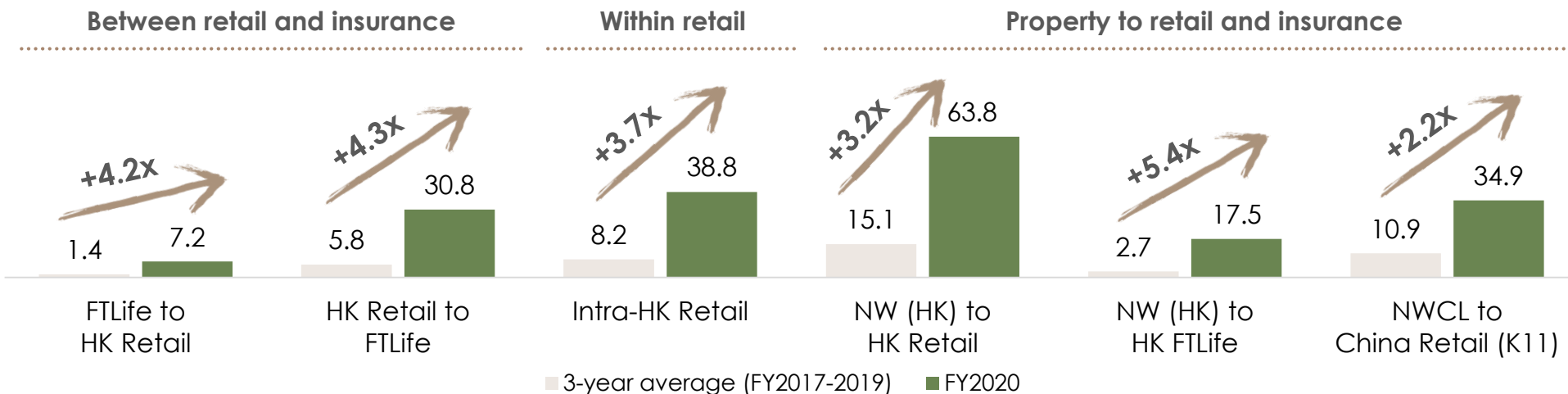
## STRATEGIC INITIATIVES

# INTEGRATED ECOSYSTEM BOOSTING CUSTOMER VALUE

*Multi-pronged synergies and customer conversions between and within segments*

## SYNERGIES BETWEEN AND WITHIN BUSINESS SEGMENTS GROWING IN MULTIPLES

Spending from existing segment to new segment (HK\$ M)

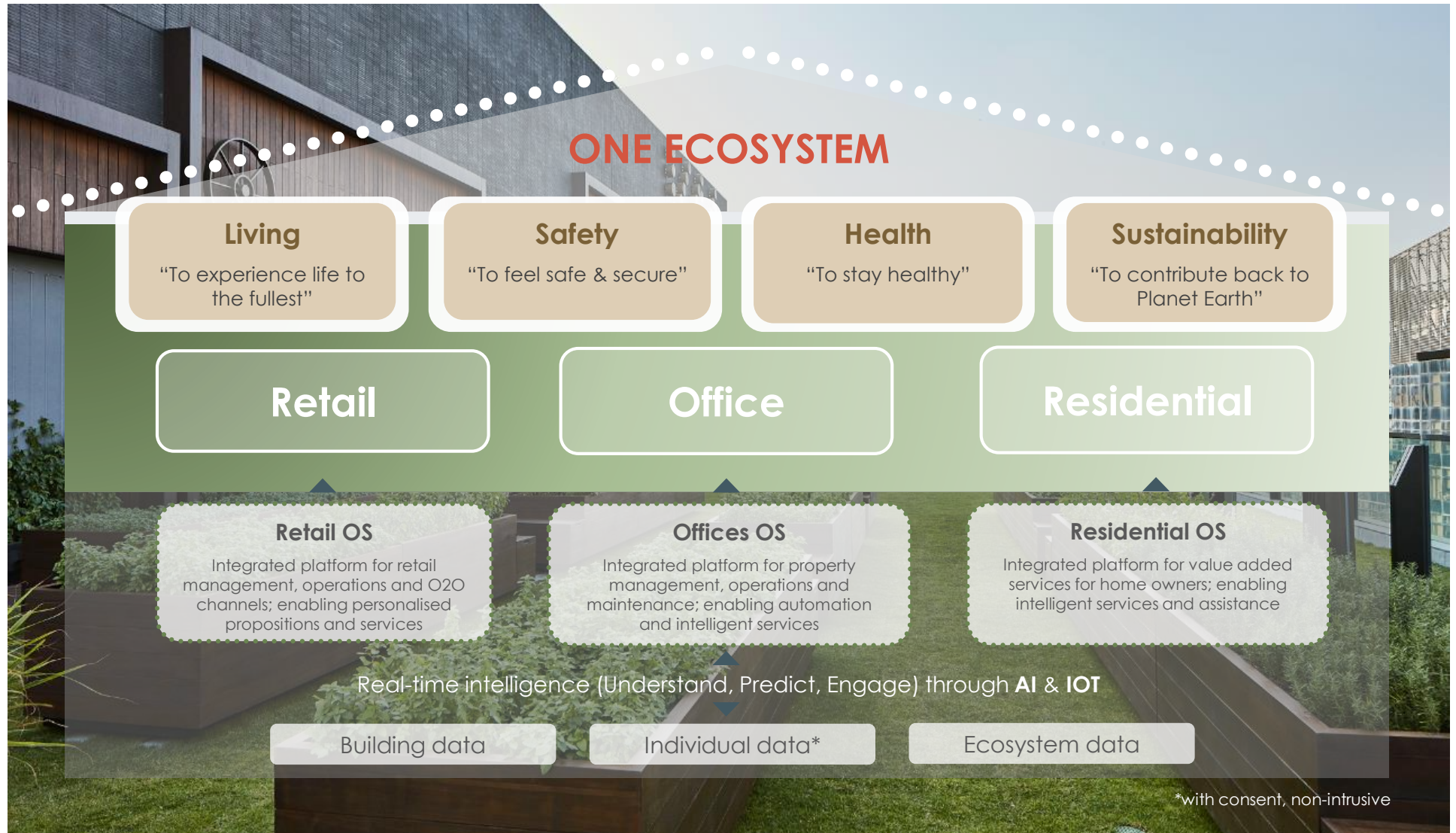


## HIGH GROWTH IN AVERAGE SPENDING OF OVERLAPPING MEMBERS



# INTEGRATED ECOSYSTEM BOOSTING CUSTOMER VALUE (CONT'D)

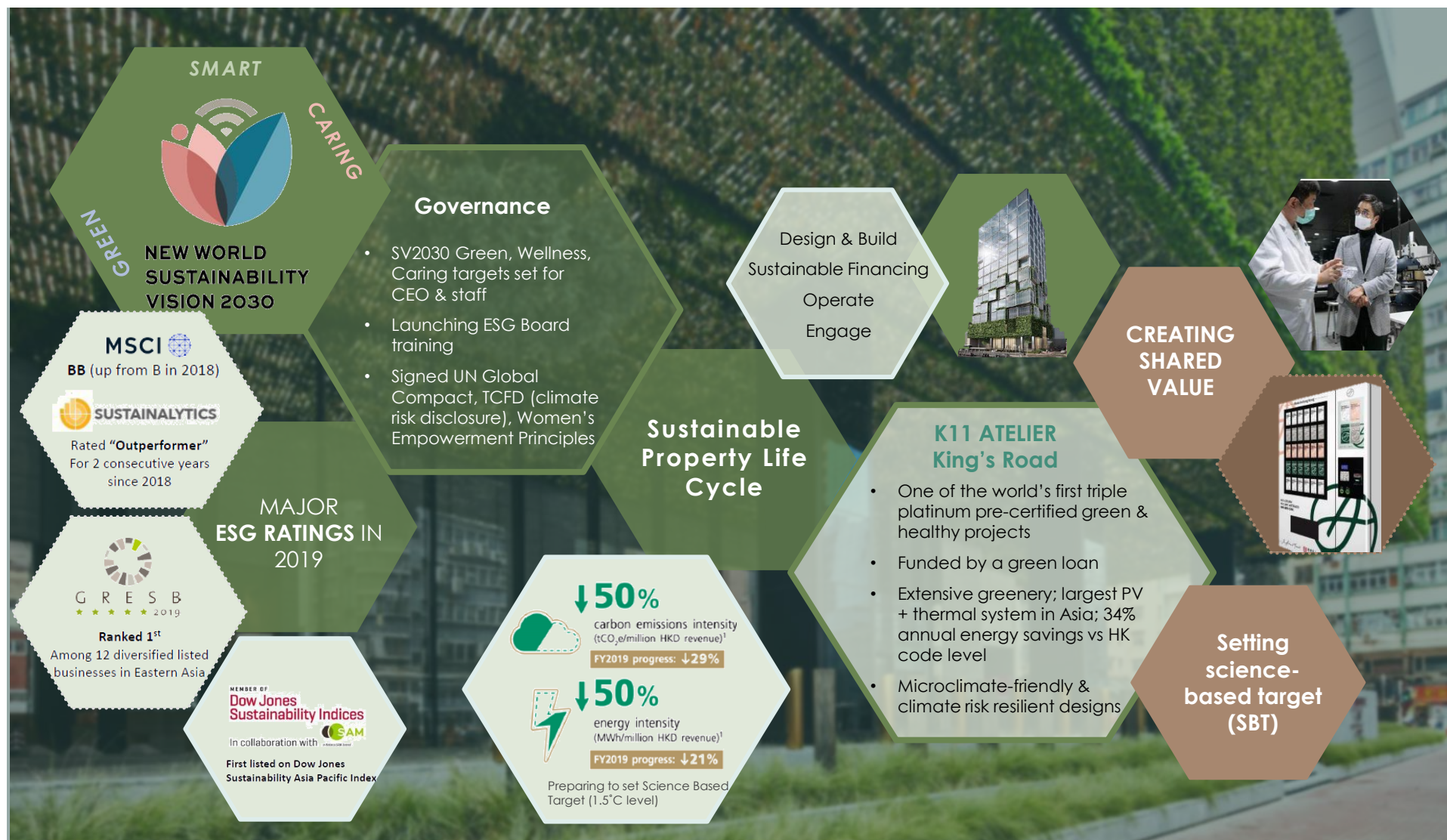
Making life and work better through intelligent buildings





# ESG INTEGRATION AT INTERNATIONAL BEST PRACTICE LEVEL

Creating Shared Value (CSV) for all stakeholders



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# APPENDIX

*The Artisanal Movement*

# GBA IS THE GROWTH ENGINE OF CHINA



## ECONOMY

**Strong overall GDP and GDP per capita growth**

- GDP = US\$1.7trn, per capita GDP = US\$23K
- 5% of national population created 12% of its GDP
- 66% GDP from tertiary industry



## FAVORABLE GOVERNMENT POLICY

**Supports GBA development and attracts talents**

- Multiple measures from taxation, housing to healthcare to attract talents
- Abolished price limits for capital gain tax (Shenzhen)
- Hong Kong citizens exempt from local living, taxation and other requirements for purchasing properties (Shenzhen)



## INFRASTRUCTURE

**Major networks expediting connectivity**

- High speed railway and 3 major bridges connecting GBA cities
- New RMB474B railway projects with 13 intercity railways and 5 hubs



## POPULATION

**Young, affluent and fast growing**

- 72m population with birth rate >15%
- Continuous influx of population – over a million net inflow p.a.
- Shenzhen permanent population's average age of 32.5
- 2.6m and 2.2m net population inflow in the past 5 years to Shenzhen and Guangzhou respectively, marking the national top 2



## UNIQUE POSITIONING

**Financial + technological + innovative center**

- Established cooperative districts among Shenzhen / Guangzhou / Hong Kong / Macau covering primarily financials, insurance, technology as well as other industries
- Home to tech giants including Tencent, Huawei, DJI, ZTE etc.



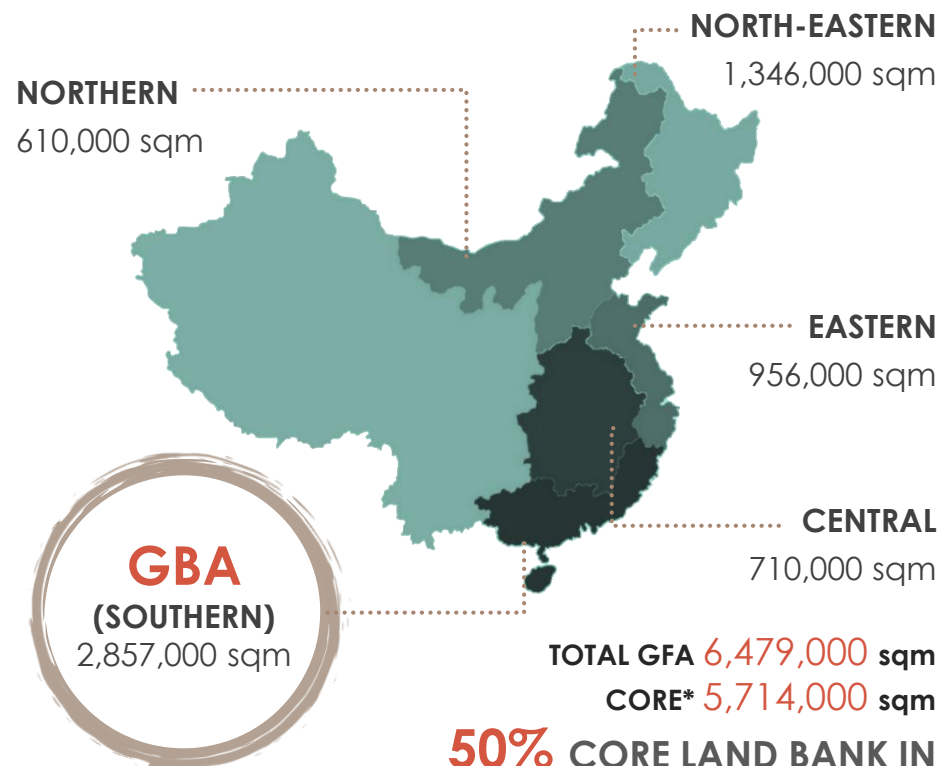
# ACTIVE LAND BANK REPLENISHMENT IN THE GBA

## TRACK RECORD OF INVESTING IN THE GBA

Acquired totalling 1.5M sqm GFA

FY2017	FY2018	FY2019	FY2020
Shenzhen Qianhai 176,000 sqm – Office/Retail  Shenzhen Shekou 385,000 sqm – Mixed Use	Guangzhou Zengcheng 284,000 sqm – Mixed Use	Guangzhou Panyu Hanxi 307,000 sqm – Mixed Use	Guangzhou Zengcheng 311,000 sqm – Residential/Retail

+ Secured 6 old city redevelopment projects of 1.8M sqm GFA



**50% CORE LAND BANK IN THE GBA AND INCREASING**

## MULTIPLE LAND ACQUISITION CHANNELS

**Old city redevelopment**

**SOE partnership**  
*China Merchants*

**Government-related bodies**  
*Guangzhou Metro*

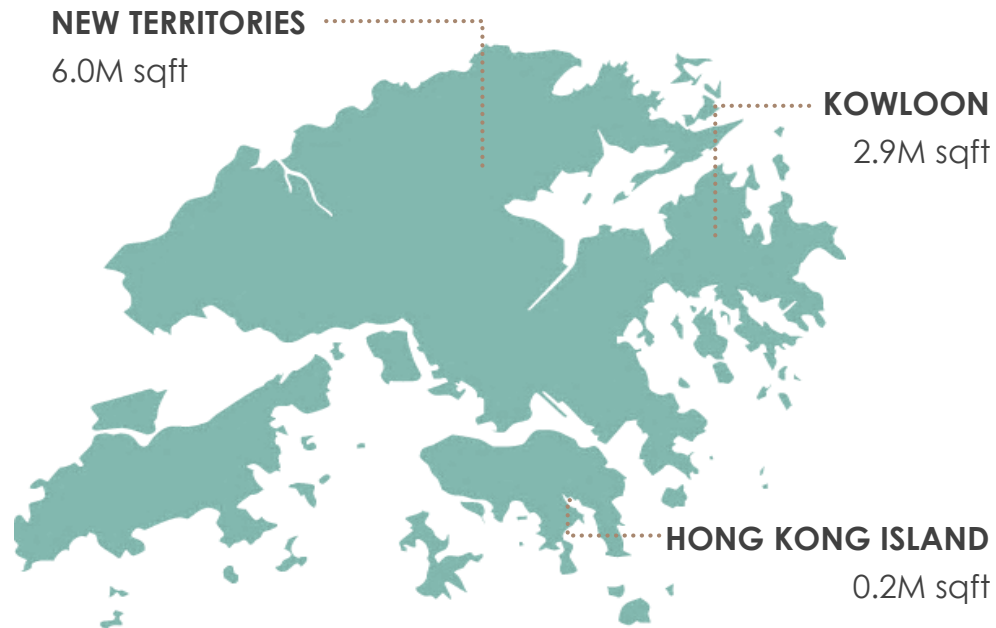
**Direct tender**

# LAND BANK BREAKDOWN IN CHINA<sup>1</sup>

Area	Region	Total GFA <sup>2</sup> (sqm)
Greater Bay Area	Guangzhou	1,403,000
	Foshan	823,000
	Shenzhen	562,000
	Huizhou	70,000
	<b>SUB-TOTAL</b>	<b>2,857,000</b>
Central Region	Wuhan	366,000
	Yiyang	345,000
	<b>SUB-TOTAL</b>	<b>710,000</b>
Eastern Region	Ningbo	505,000
	Hangzhou	451,000
	<b>SUB-TOTAL</b>	<b>956,000</b>
Northern Region	Beijing	530,000
	Langfang	18,000
	Jinan	62,000
	<b>SUB-TOTAL</b>	<b>610,000</b>
North-Eastern Region	Shenyang	1,006,000
	Anshan	340,000
	<b>SUB-TOTAL</b>	<b>1,346,000</b>
<b>TOTAL</b>		<b>6,479,000</b>

- Notes:
1. Projects under development or held for development only
  2. Excluding carpark and others. Approximate figures rounded to the nearest thousand; sub-total/ total numbers may not sum due to rounding difference

# MULTIPLE CHANNELS OF LAND ACQUISITIONS IN HONG KONG



**TOTAL HONG KONG LAND BANK: 9.1M SQFT**  
4.2M sqft development properties and  
4.9M sqft investment properties

## MULTIPLE LAND ACQUISITION CHANNELS

### Old building redevelopment

Latest acquisition – **North Point State Theatre Building**

- *Approved to launch compulsory sale*



### Tenders

- *Continuously evaluate tender opportunities as and when launched by the government*

### Farmland conversion

- *16M sqft farmland portfolio*
- *Ongoing discussions with government on conversion steps*

WE CREATE, WE ARE ARTISANS, WE ARE CSV.

.....  
**THANK YOU / Q&A**

*The Artisanal Movement*