

**New World Development 2022/2023 Interim Results**

**Revenues From Property Development Strongly Up 21% Contracted sales exceeded HK\$18 billion**

(23 February 2023, Hong Kong) New World Development Company Limited (“NWD” or the “Company”, Hong Kong stock code: 0017) today announced the unaudited interim results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 31 December 2022 (“the period under review”).

**Consolidated Highlights:**

- The Group recorded consolidated revenues of HK\$40,193 million, an increase of 13% comparing to 1HFY2022. Underlying profit was HK\$3,360 million and profit attributable to shareholders of the Company was HK\$1,209 million, down by 14% and 15% respectively
- The Group’s attributable contracted sales in Hong Kong amounted to about HK\$7.87 billion
- The Group’s overall contracted sales in Mainland China amounted to about RMB9.24 billion
- The accumulated sales proceeds of the sole project under New World Arts Centre in Hangzhou has exceeded RMB11 billion, evidencing the Group’s pursuit of excellence and its appeal to the market, further revealing the vast potential in cities in Yangtze River Delta
- The construction of urban renewal project of 188 Industrial Zone located in the Longgang District, Shenzhen has commenced during the period under review, which indicated that the urban renewal business of the Group has advanced to the harvest stage
- Revenues and segment results of property investment in Hong Kong amounted to HK\$1,492 million and HK\$1,095 million respectively. The Group’s K11 projects in Hong Kong continued to record resilient performance, with year-on-year increase of 4% and 9% in revenues and segment results, respectively
- Non-core asset disposal amounted to approximately HK\$5.6 billion in 1HFY2023
- All refinancing of borrowings due in FY2023 has been taken care of
- FY2023 interim dividend: HK\$0.46 per share, revisiting dividend policy as to maintain the Company’s long-term robust and sustainable development
- In response to the rapidly-evolving industry landscape, the Group continues to actively explore strategic options for its various businesses in order to (i) unlock value of individual business units; (ii) sharpen the respective strategic focus of our group companies; and (iii) maximise return for our shareholders. Such options, if pursued by the Group, may take place together or at different times considering the respective business plans and prevailing market conditions
- Total capital resources amounted to approximately HK\$92 billion, including cash and bank balances of approximately HK\$57 billion and undrawn facilities from banks of approximately HK\$35 billion. With the Group’s robust financial position, there is no need or plan by the Group for any equity capital raising from shareholders in the foreseeable future, including rights issuance and share placement

**Strategy: Improving Integration and Connectivity in the Greater Bay Area, Continually Refining the Yangtze River Delta Region and Proactively Developing Key First-Tier Cities Nationwide**

- Core businesses include property development, property investment, roads, construction and insurance, with a major focus on the Greater Bay Area and the Yangtze River Delta Region
- With the successive completion and opening of several projects operated or managed by K11, the Group will proactively diversify businesses to increase recurring rental income
- The Group adheres to its strategic vision of “Improving Integration and Connectivity in the Greater Bay Area, Continually Refining the Yangtze River Delta Region and Proactively Developing Key First-Tier Cities Nationwide”. Meanwhile, the Group will actively bring the successful experience and resources of the Group’s ecosystem to develop various high-quality projects, and to make good progress on urban renewal projects
- The Group will work to mobilise its own and related industries, talents, technology and capital to converge these resources in the Yangtze River Delta and major cities in Mainland
- 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
- With the Group's robust financial position, there is no need or plan by the Group for any equity capital raising from shareholders in the foreseeable future, including rights issuance and share placement

**Property Development: Continues to Actively Launch a Number of Major Residential and Commercial Projects in Phases**

Hong Kong – Property market is expected to be optimistic after border fully reopened with Mainland China

- Overall gross margin of Hong Kong's property development was 16%
- Attributable contracted sales in Hong Kong amounted to about HK\$7.87 billion
- As at 31 December 2022, among the unrecognised attributable income from contracted sales of properties in Hong Kong, HK\$18,500 million contracted sales would be booked in 2HFY2023 and HK\$4,277 million contracted sales would be booked in FY2024
- The Group will successively launch a number of major residential projects in phases and provide over 5,000 units, including the four projects developed by its consortium at Kai Tak area in East Kowloon, the Phase V development project of “THE SOUTHSIDE” atop Wong Chuk Hang MTR Station and the project of the original State Theatre in North Point.
- The Group will also continuously solicit sales for its grade-A office projects including remaining units at NCB Innovation Centre and project at Wing Hong Street and King Lam Street, Cheung Sha Wan

**Mainland China – Strengthened presence in the Greater Bay Area, and kept widely recognised by the market thanks to high-quality projects, while various urban renewal projects made progress**

- During the period under review, the Group’s overall total contracted sales area of properties in Mainland China amounted to approximately 169,000 sq m, with total sales proceeds of RMB9.24 billion. In terms of the geographical distribution of contracted sales proceeds, the Eastern Region, led by the Yangtze River Delta Region, and the Southern Region, led by the Greater Bay Area, were the largest contributors, accounting for over 95%
- The average price of overall contracted sales has exceeded RMB54,000 per sq m
- Contributions were mainly from the projects in the Greater Bay Area and Yangtze River Delta, such as New World Arts Centre in Hangzhou, Shanghai Suhexi (上海蘇河壘) and Guangzhou Covent Garden

- As at 31 December 2022, among the unrecognised gross income from contracted sales of properties in Mainland China, RMB1.29 billion and RMB860 million will be booked in FY2023 and FY2024 respectively
- During the period under review, the Group's total GFA of projects completed in Mainland China (excluding carparks) was approximately 181,000 sq m, most of which was in the Greater Bay Area. The total GFA of completion (excluding carparks) is expected to reach approximately 531,000 sq m in FY2023
- In spite of the challenging market environment brought by the pandemic, the Group is widely recognised by the market thanks to its premium brand and high-quality projects. In particular, the accumulated sales proceeds of each project under New World Arts Centre in Hangzhou has exceeded RMB11 billion, evidencing the Group's pursuit of excellence and its appeal to the market, further revealing the vast potential in cities in Yangtze River Delta
- Working together with Guangzhou Metro, the comprehensive development project New Metropolis, which sits right on top of a metro station will be released to the market in the near future, and it is also centrally located in the Chimelong-Wanbo world-class business district. The project gathers the commercial property brands operated by the K11 team, namely DISCOVERY PARK, grade A office building New World Development Centre (新世界發展中心) and a refined and luxurious residence New Metropolis Mansion, a brand new urban landmark of extraordinary specification and standard
- Various urban renewal projects made progress under the Group, among which, the urban renewal project of 188 Industrial Zone located in the Longgang District, Shenzhen has commenced during the period under review. As the first urban renewal project of the Group in Shenzhen that has officially entered the development and construction phases, the commencement of such project marked a milestone for the Group's development in Shenzhen, which also indicated that the urban renewal business of the Group has advanced to the harvest stage. Furthermore, the other two urban renewal projects of the Group in Shenzhen, Xili Industrial Zone Project and Guangming Guangqiao Food Factory Project, also made significant progress recently and are expected to kick off its full development in 2023

### **Property Investment: K11 Projects Leading to Increased Recurring Rental Income**

#### **Hong Kong – Benefiting from border reopened, K11 MUSEA's sales and footfall continue to boost**

- Revenues of property investment and segment results in Hong Kong amounted to HK\$1,492 million and HK\$1,095 million respectively. The Group's K11 projects in Hong Kong continued to record resilient performance, with year-on-year increase of 4% and 9% in revenues and segment results, respectively
- In 1HFY2023, K11 MUSEA recorded a year-on-year increase of 6% in sales and total footfall amounted to over 11 million mainly driven by luxury spending and cultural activities. With its unique festival curation and marketing strategy, K11 MUSEA achieved its highest monthly sales in December 2022 since opening three years ago
- With the border fully reopened with Mainland China in February 2023, K11 MUSEA's overall sales and footfall have surged 100% year-on-year. The Group will continue to capitalise on the synergy effects with Avenue of Stars and the dock area of Victoria Harbour to attract more visitors. K11 MUSEA is dedicated to elevating the retail experience with an enticing mix of brands, attractive city-wide consumption rewards as well as large-scale exhibitions and cultural activities, further growth in its sales and footfall is expected
- K11 Art Mall being connected with MTR Tsim Sha Tsui Station is benefitting from the convenience of several MTR lines, which appeals to young locals and tourists alike who constitute a solid customer base. During the period under review, the overall occupancy rate of K11 Art Mall remained at around 100% with 10% sales growth

and strong footfall growth year-on-year. The Group has been optimising tenant mix and brought in over 40 new retailers such as trendy lifestyle brands and specialty cuisines

- The Group's mega landmark project "11 SKIES" in Hong Kong which is located close to the airport and the Hong Kong-Zhuhai-Macau Bridge, covering 3.8 million sq ft of GFA, will serve as a new landmark in the Greater Bay Area, featuring seamless connection to the expanded Terminal 2. In particular, three grade-A office towers will commence opening in 2023, with targeted tenants from wealth management and wellness services sectors as well as enterprises which plan to expand their business into the Greater Bay Area. "11 SKIES" will feature the largest indoor entertainment area in Hong Kong with a GFA of 570,000 sq ft, including eight world-class entertainment facilities, four of which will open between late 2023 and early 2024 successively

Mainland China - K11 projects continue to commence operation, further consolidating its diversified businesses in the Greater Bay Area and the Yangtze River Delta

- During the period under review, mainland China was still gripped by COVID-19 pandemic, with the number of infected cases peaked in December. The Group's revenue from property investment in Mainland China amounted to about HK\$896.4 million. The occupancy rates of major projects in the investment property portfolio remained stable
- Guangzhou K11 diversified its online channels, online sales have risen by nearly 10% YOY and served as an essential driver of sales growth. Coupled with revenue-raising and cost control measures, net profit grew by 7% YOY. During the period under review, Guangzhou K11's marketing arm attracted 140 million online viewers with 2 large-scale exhibitions and over 30 events
- Wuhan Hankou K11, with a keen eye on sport luxury products, has devoted its efforts to upgrade and transform merchants in Mall II and introduce new brands and sport luxe pop-up stores to enrich brand mix, set off new trends as well as expand target customer base; Wuhan Guanggu K11 Select continued to introduce popular brands aiming at Gen Z, converting traffic to consumption through online-merge-offline approach
- Owing to its sophisticated management of membership lifecycle, Shanghai K11 further improved member loyalty and boosted the member sales share of almost 70%; Shenyang K11 yielded outstanding performance with double-digit YOY growth in sales and a record high in sales on Christmas Day; With Gen Z and young family as its target groups, Tianjin K11 Select has focused on membership development and loyalty enhancement, owing to which, gold members demonstrated great loyalty and sales derived from them were better than expected
- THE PARK by K11 Select in the Ningbo New World was officially launched at the end of 2022. Blending trendy and intriguing lifestyle of PARK with artistic, cultural, and natural features of Ningbo, the project is a one-stop complex of diverse business and experiences, offering from immersive experience, trendy sports to luxurious retailing and art exhibitions to everyone. It is expected to become another flagship project of the Group in the Yangtze River Delta
- "K11 ECOAST" is the first K11 flagship project in Mainland China located in Prince Bay Area, Nanshan, Shenzhen. The project has a total GFA of 228,500 sq. m, and includes a K11 Art Mall, K11 HACC multi-purpose art space, K11 ATELIER office building and Promenade. K11 ECOAST is expected to open by the end of 2024, and will serve



as a new cultural and retail waterfront landmark and a pioneer in circular economy in the Greater Bay Area, promoting new cultural and retail development in the area

- K11 is expected to attain a footprint of 39 projects with a total GFA of 2,906,000 sq m in eleven major cities across Greater China. With gradual completions and openings of K11 projects across the country in the pipeline, as well as the completed transformation and upgrades of projects, the Group's recurring rental income will continue to grow, and serve as a key growth driver

### **Land Bank: Use of Multiple Channels and Resources to Fuel Continued Expansion**

#### **Hong Kong – Expedited farmland conversion to unlock their value**

- As at 31 December 2022, the Group had a landbank with a total attributable GFA of approximately 8.81 million sq ft in Hong Kong available for immediate development, of which approximately 4.04 million sq ft was for property development use
- The Group had an agricultural landbank with a total attributable land area of approximately 16.39 million sq ft pending land use conversion in the New Territories, approximately 90% of which was located within the Northern Metropolis
- The Group will continue to expedite its farmland conversion to unlock value and leverage on the government's policies and measures when replenishing land bank. During the period under review, the Group applied to the Town Planning Board for the development of two plots of agricultural land in Tong Yan San Tsuen, Yuen Long, which have a total attributable GFA of approximately 3.01 million sq ft and are expected to provide around 5,600 residential units
- Committed to the spirit of Creating Shared Value, the Group established the charitable social housing enterprise “New World Build for Good” in 2021 and became a charitable institution of a public character in 2023. It brings together experts from various professional fields, who are seeking to alleviate Hong Kong's housing problems through innovative thinking and solutions. These include advocating the creation of Hong Kong's first subsidised private housing project, with the goals of selling its units below market prices, and supplementing with an innovative “progressive mortgage” to offer quality new homes at affordable prices for young families.
- The Group selected a suitable site of about 30,300 sq ft of GFA on Lam Hi Road in Yuen Long, which will provide about 300 residential units. The land rezoning application for the project was approved by the Town Planning Board in October 2022, and is currently progressing well. It is expected that construction will commence in 2023 and to be completed in 2027
- The Group also took the lead in announcing the supply of farmland to the government and non-profit organisations. The Group's farmland will be used to build transitional housing projects to help increase affordability of homes among the underprivileged. To date, four projects have been approved by the Town Planning Board, which are progressing well and expected to provide a total of about 3,000 residential units

#### **Mainland China - Improving Integration and Connectivity in the Greater Bay Area, Continually Refining the Yangtze River Delta Region and Proactively Developing Key First-Tier Cities Nationwide**

- As at 31 December 2022, the Group had a landbank (excluding carparks) with a total GFA of approximately 5,256,000 sq m available for immediate development in Mainland China, of which approximately 2,907,000 sq m was zoned for residential use

- Core property development projects located in Guangzhou, Shenzhen, Foshan, Wuhan, Shanghai, Ningbo, Hangzhou, Beijing and Shenyang, of which 65% were located in the Greater Bay Area and the Yangtze River Delta
- During the period under review, the Group joined hands with Central-and-State owned enterprises of China Merchants Shekou and Poly Development to develop two property projects by the Suzhou River in Shanghai in July and December 2022 respectively. Looking forward, the adjoining projects are set to form a prestigious residential community, bringing a better life to those living along the Suzhou River
- Leveraging on its solid development and strategy of strengthening its presence in Mainland China, the Group continued to replenish its landbank through diversified land acquisition strategies such as tender auctions, joint development, urban renewal, and merger and acquisitions as well as other channels to provide adequate resources for the sustainable development of the Group

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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, construction and insurance. Its operations in Greater China, especially the Greater Bay Area, had a total asset value of approximately HK\$621.9 billion as at 31 December 2022. 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.

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