

The following notification dated 29 October 2024 in respect of Hongkong Land Holdings Limited was lodged with the Financial Conduct Authority in the United Kingdom today:

"HONGKONG LAND HOLDINGS LIMITED

STRATEGY UPDATE

This note updates shareholders on Hongkong Land's ('HKL') new corporate strategy, following several months of review led by our Chief Executive, Michael Smith. Expanded materials will be uploaded to HKL's website by close of business (Singapore time) on 30 October 2024.

New strategic direction

Hongkong Land's aim is to become the leader in Asia's gateway cities focused on ultra-premium integrated commercial properties.

From today, our priority is to simplify the business with a focus on Investment Properties ('IP') in Asia's gateway cities, generating growth in long-term recurring income. As a result, we will no longer invest in the build-to-sell segment but will instead actively recycle capital out from this business segment into new integrated commercial property opportunities.

Anchoring the portfolio will be the Group's existing flagship prime mixed-use projects in Hong Kong, Singapore and Shanghai, which provide a resilient base of significant recurring earnings from which to invest to increase our rate of growth in Asian gateway cities.

This strategy will, in time, enable us to focus on a smaller number of ultra-premium projects consistent with HKL's brand name and reputation. The aim is to deliver enhanced shareholder value through clear long-term growth objectives and targets supported by near-term performance metrics. By 2035, HKL's new strategic plan and focus is expected to:

- **Double Underlying Profit Before Interest and Tax** in a geographically diversified manner, with no single city accounting for more than 40%
- **Double Dividends Per Share**
- **Grow AuM to US\$100bn** with meaningful participation from third party capital
- **Actively recycle capital of up to US\$10bn**

Evolving our business model



Our strategy will revolve around four areas of focus:

1. Premium gateway assets

HKL will focus on investments in premium regional gateway cities, which benefit from resilient and growing demand from blue-chip tenants and luxury customers, typically commanding some of the highest rental incomes globally.

Within these cities, HKL will develop, own, or manage ultra-premium mixed-use real estate, located in central business districts, featuring a combination of Grade A office, luxury retail, residential and hospitality products. With a focus on the principles of innovation, placemaking, exceptional hospitality and sustainability for tenants, shoppers and guests, these portfolios of assets will benefit from the "flight to quality" trends seen globally, namely higher rents and occupancy throughout real estate cycles.

2. Third-party capital

A new investment team will be established within HKL to:

- a) Source and secure new projects in premium gateway cities;
- b) Expand our IP AuM from US\$40bn to US\$100bn by 2035 through a combination of LP capital partnerships, private funds and REITs; and
- c) Build a recurring fee-based income stream over time.

This strategy will improve our return on equity, growing the business through development and management fees.

3. Portfolio recycling

Our strategic decision to no longer invest in the build-to-sell segment will help us better manage earnings fluctuations influenced by land acquisition pace, market conditions and other external factors. We will work to accelerate the return of invested capital where possible, while still completing all currently committed projects to our same high standards.

We will also be open to selectively recycling assets into REITs and other third-party capital vehicles. Overall, this new strategy will see up to US\$10bn of existing capital recycled over the next 10 years, generating cash for new investments and enhanced shareholder returns. An estimated US\$6bn in proceeds will be generated from the wind-down of the build-to-sell segment. A further US\$4bn will come from the recycling of selected IP assets.

4. Robust capital management

An updated capital allocation framework will be implemented with an enhanced view on risk adjusted financial returns and discipline in meeting this threshold. New project investment proposals will also be assessed against the merits of further dividends, share buybacks and debt repayment.

The aim is to deliver mid-single digit annual growth in dividends per share. As capital is recycled into cash, up to 20% of the proceeds may, subject to market conditions, be invested in the buy-back of shares where returns on investment exceed our weighted average cost of capital.

This strategy is not expected to require an increase in group net debt or funding from shareholders, whilst preserving our investment grade credit-rating.

Aligning management with HKL's future

To align senior management's interests with those of shareholders, a new Long-Term Incentive Plan ('LTIP') will be introduced for senior leadership. This plan will set a range of qualitative and quantitative progress milestones and metrics (including with respect to HKL's share price) to incentivise the execution of this strategy. Details of this LTIP alongside changes to the organisation structure and management team, which align with the strategy, will be effected by the beginning of 2025.

Timeline

The speed at which this strategy will unfold relies on our capital recycling and management capabilities. Given the size and diversity of the Group's existing real estate portfolio, the new strategy is expected to take a number of years, with progress to be measured across three implementation phases. Phase one primarily focuses on the recycling of capital and establishment of deal sourcing and fundraising capabilities. Further phases involve the deployment of capital into long-term IP opportunities accompanied by active capital recycling and third-party capital initiatives.

Michael Smith, Chief Executive, Hongkong Land.

Submitted by:
Jonathan Lloyd, Jardine Matheson Limited
For and on behalf of Hongkong Land Holdings Limited

29 October 2024"