Hongkong Land Holdings Limited

Announcement

The following announcement was issued today to a Regulatory Information Service approved by the Financial Conduct Authority in the United Kingdom.

HONGKONG LAND HOLDINGS LIMITED
Interim Management Statement

5th November 2020 – Hongkong Land Holdings Limited today issues an Interim Management Statement for the third quarter of 2020.

The Group's performance in the period continued to be negatively impacted by the COVID-19 pandemic, particularly in relation to retail rent in the Investment Properties business. On the Chinese mainland, sentiment in the Group's markets has generally recovered to pre-pandemic levels. The Group's overall financial position remains strong.

The Group's full-year underlying performance is expected to be moderately impacted by a reduced contribution from the Investment Properties portfolio due to the provision of temporary retail rent relief, and a delay in the timing of profit recognition in respect of Development Properties on the Chinese mainland, primarily due to pandemic-related construction delays. The Group also expects there will be further losses on the revaluation of investment properties in the second half of the year due to adverse market conditions.

In Investment Properties, contributions from the office portfolio in the third quarter remained stable. Rental reversions in the Group's Hong Kong Central office portfolio were negative in the period, reflecting subdued market conditions with few leasing enquiries. In the nine months to 30th September 2020, rental reversions were broadly neutral. Vacancy increased to 6.9% at 30th September 2020, compared to 5.0% at the end of June. On a committed basis, vacancy was 6.5%. Retail market sentiment in Hong Kong remained weak in the quarter, despite a modest improvement in September due to an improved outlook as regards to the pandemic. The Group continued to provide temporary rent relief to support its tenants on a case-by-case basis. Base rental reversions in the Group's Central retail portfolio were negative in the period, reflecting falling retail rents across the city. Vacancy at 30th September 2020 was 0.7% on both a physical and committed basis, compared to 0.4% at the end of June.

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Rental reversions in the Group's Singapore office portfolio were positive, reflecting the general increase in rents over the past few years. Vacancy declined to 1.3% at 30th September 2020 from 1.5% at the end of June. On a committed basis, vacancy remained low at 1.0%.

In Beijing, WF CENTRAL benefited from global travel restrictions and the recovery in luxury retail spending on the Chinese mainland, with tenant sales in the third quarter exceeding those in the same period last year. As a result of improved trading conditions, no further rent relief was provided.

In Shanghai, planning of the Group's prime mixed-use development on the West Bund, secured in February 2020, is proceeding on schedule. Construction is expected to commence by late 2020, with completion in multiple phases to 2027. Subject to relevant approvals by the authorities, the Group's conditional agreements with two strategic partners to jointly develop the site are expected to be completed by early 2021.

In Development Properties, the Group's recent sales launches on the Chinese mainland benefited from a rebound in market sentiment. In the three months under review, the Group's attributable interest in contracted sales on the Chinese mainland was US$639 million, compared to US$566 million in the same period last year. In the nine months to 30th September 2020, the Group's attributable interest in contracted sales was US$1,230 million, compared to US$1,209 million last year.

In Singapore, pre-sales at the 1,404-unit Parc Esta and the 638-unit Leedon Green projects have performed well given current market conditions, benefiting from the release of pent-up demand from the first half of the year. The Group's attributable interest in contracted sales was US$145 million in the quarter, compared to US$148 million in the equivalent period in 2019. In the nine months to 30th September 2020, the Group's attributable interest in contracted sales was US$446 million, compared to US$403 million in the same period last year. Construction activities have returned to normal.

In the rest of Southeast Asia, construction activities at the Group's projects have largely been curtailed by the pandemic and market sentiment remains subdued.

The Group's financial position remains strong. Net debt at 30th September 2020 was US$4.7 billion, compared to US$5.6 billion at the end of June. Committed liquidity was US$4.0 billion, compared to US$2.7 billion at the end of June. Both measures benefited from the strong contracted sales performance in the quarter in the Development Properties business.

Hongkong Land is a major listed property investment, management and development group. The Group owns and manages more than 850,000 sq. m. of prime office and luxury retail property in key Asian cities, principally in Hong Kong, Singapore, Beijing and Jakarta. The Group also has a number of high quality residential, commercial and mixed-use projects under development in cities across Greater China and Southeast Asia. In Singapore, its subsidiary, MCL Land, is a well-established residential developer. Hongkong Land Holdings Limited is incorporated in Bermuda and has a standard listing on the London Stock Exchange, with secondary listings in Bermuda and Singapore. The Group's assets and investments are managed from Hong Kong by Hongkong Land Limited. Hongkong Land is a member of the Jardine Matheson Group.

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