For Immediate Release

Hang Lung Reports Solid Growth in Core Business

(Hong Kong, July 30, 2019) Hang Lung Properties Limited (HKSE Stock Code: 00101) and Hang Lung Group Limited (HKSE Stock Code: 00010) today announced financial results for the six months ended June 30, 2019.

First Half of 2019 Performance at a Glance:

In HK$ Million	Hang Lung Properties			Hang Lung Group		
Total Revenue	-18%	to	4,204	-17%	to	4,505
Rental Revenue	+2%	to	4,204	+2%	to	4,505
- Mainland China	+1%	to	2,190	+1%	to	2,409
- Hong Kong	+3%	to	2,014	+3%	to	2,096
Property Sales Revenue	-100%	to	-	-100%	to	-
Total Operating Profit	-13%	to	3,217	-12%	to	3,432
- Property Leasing	+3%	to	3,217	+3%	to	3,432
- Property Sales	-100%	to	-	-100%	to	-
Net Profit Attributable to Shareholders	-25%	to	3,516	+22%	to	3,709
Underlying Net Profit Attributable to Shareholders	-4%	to	2,229	+59%	to	2,324
- Property Leasing	+25%	to	2,229	+26%	to	1,456
- Property Sales	-100%	to	-	+184%	to	868
Interim Dividend Per Share (HK$)	-	to	0.17	-	to	0.19

The core property leasing business in the first half of 2019 sustained the strong growth momentum from the second half of 2018. In spite of a 6% period-on-period Renminbi (RMB) depreciation, the rental revenue of leasing portfolio for Hang Lung Properties and Hang Lung Group both increased 2%.

Commenting on the financial performance, Mr. Ronnie C. Chan, Chairman of Hang Lung Group and Hang Lung Properties, said, "We have sustained solid growth in our core leasing business in the first half of 2019, despite the uncertainties in the global economy. The growth momentum of our leasing portfolio, especially at our Mainland properties, reflected effective measures taken to improve our tenant mix and enhance facilities and customer services."

"Our properties outside of Shanghai have achieved a remarkable revenue growth of 14%, while our investments in asset enhancement in Shanghai are paying off handsomely, as evident in the strong performance of Plaza 66. The progressive completion of the major renovation at the Grand Gateway 66 mall in Shanghai this year is expected to deliver a similar boost in revenue. Moreover, a number of new properties will commence business in the second half of this year, providing a further impetus to business growth," he added.

Total revenue of the eight malls in mainland China increased 8% to RMB1,479 million for both Hang Lung Properties and Hang Lung Group. The asset enhancement initiatives at Grand Gateway 66 caused a short-term disruption of rental income, while the properties outside of Shanghai achieved an outstanding 14% revenue growth and continued the growth momentum with a 7% increment compared to the second half of last year. Total revenue from the office towers provided a solid and stable income stream for Hang Lung Properties and Hang Lung Group, accounting for 22% and 26% of our mainland China leasing revenue, respectively.

In Hong Kong, the performance of the core leasing properties was stable. Total revenue at Hang Lung Properties and Hang Lung Group both recorded growth of 3% to HK$2,014 million and HK$2,096 million, respectively.

The Boards of Directors of Hang Lung Properties and Hang Lung Group have declared an interim dividend of HK17 cents per share and HK19 cents per share, respectively, to be paid on September 26, 2019, to shareholders registered as at September 13, 2019.

Business Outlook

While the US-China trade dispute shows no sign of abating, the Group remains cautiously optimistic that our business will deliver sustainable growth in both Hong Kong and the Mainland. The growth will be fueled by a number of key drivers.

The established properties in both Hong Kong and Mainland are expected to sustain the current momentum. With the implementation of various customer-centric initiatives, including the roll-out of the HOUSE 66 Customer Relationship Management (CRM) program and adoption of new technologies, the Group will build stronger engagement with both the tenants and customers and offer a unique Hang Lung Brand experience, boosting sales and leasing revenue.

In the second half of 2019, a number of new properties will commence business, including the mall and office tower of Spring City 66 in Kunming, the second office tower of Center 66 in Wuxi, and the Conrad Hotel at Forum 66 in Shenyang. Moreover, the investment in asset upgrading programs at Grand Gateway 66 in Shanghai and Peak Galleria in Hong Kong is expected to deliver a further increase in revenue.

Depending on market conditions, the Group will continue to sell down residential units on hand in Hong Kong. At the same time, Hang Lung will extract more value from its property portfolio through disposal of non-core properties.

On the property development side, in Hong Kong, the Group has started two re-development projects, and will continue to look for opportunities. On the Mainland, four mixed-use projects have serviced apartment element and are intended for sale. The construction work of luxury serviced apartments at Heartland 66 in Wuhan has started, and similar development at projects in Wuxi, Kunming and Shenyang will also commence in phases.

The Group will continue to adopt prudent financial management strategies to support its long-term growth. With a strong financial position and cash generation capability, it is well-placed to capture market opportunities in Hong Kong and mainland China.

This press release is available for download from the Hang Lung Website at www.hanglung.com

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Hang Lung Properties Limited (Stock Code: 00101)
Key Highlights of 2019 Interim Results

1. Total Revenue & Operating Profit

Total revenue and total operating profit decreased 18% and 13% to HK$4,204 million and HK$3,217 million, respectively, as no property sales were recognized during the period.

2. Property Leasing

Total revenue of property leasing increased 2% to HK$4,204 million. Income of the Hong Kong leasing portfolio grew 3% and that of the Mainland properties increased 1%. Total property leasing operating profit rose 3%.

a. Mainland China Portfolio

Revenue of the entire mainland China portfolio advanced 7% to RMB1,894 million. Revenue of our Shanghai properties advanced 4% period-on-period despite the short-term rental interruption caused by the major renovation at Grand Gateway 66. Properties outside Shanghai achieved a remarkable 14% revenue growth period-on-period and continued the growth momentum with a 7% increment compared to the second half of last year. Average margin improved to 68%.

Malls

Total revenue of our eight malls in mainland China increased 8% to RMB1,479 million. The Shanghai Plaza 66 mall reported double-digit increases in revenue and retail sales at 11% and 15%, respectively. The mall has firmly established its positioning as the Home to Luxury, and continues to add new and renowned luxury labels and high-end restaurants to its tenant portfolio. In addition, after the debut launch of HOUSE 66, our nationwide CRM program, in September 2018, we have seen more quality tenant collaborations and direct engagements with our customers.

Revenue of the Shanghai Grand Gateway 66 mall retreated 4% due to the short-term interruption caused by a major upgrading program commenced in 2017. The first phase of the upgrade works was completed with the North Building re-opened in September 2018. The renovated area was fully let with higher rental income. The second phase, covering the bulk of the South Building and its basement, is in full swing and the progress made is on track. The basement has partially re-opened and a variety of new cosmetics brands will be introduced. The works of the second phase are expected to be completed in stages from late 2019.

Our six shopping malls outside of Shanghai achieved growth in both revenue and sales. The malls of Shenyang Palace 66, Jinan Parc 66, Wuxi Center 66 and Dalian Olympia 66 reported double-digit increases in revenue period-on-period, attributable to increases in occupancy rate and turnover rent as well as favorable rental reversions. Revenue of Shenyang Forum 66 and Tianjin Riverside 66 both rose 3%, with our efforts to reshuffle tenants and diversify trade mix continuing.

Offices

Revenue of the office portfolio in mainland China increased 5% to RMB415 million.

Revenue of the offices at Plaza 66 and Forum 66 grew 4% and 11%, respectively, with higher occupancy.

Revenue of the office at Center 66 dropped 3%. Occupancy rate slipped one point to 90%. The second tower will be ready for handing over to tenants in the second half of 2019. Pre-leasing activities are underway.

b. Hong Kong Portfolio

Total revenue and operating profit of our Hong Kong leasing portfolio recorded growth of 3% and 4% to HK$2,014 million and HK$1,730 million, respectively. Overall rental margin was 86%. Total retail sales advanced 7% period-on-period.

Commercial

Revenue of our Hong Kong commercial portfolio increased 4% to HK$1,198 million, mainly driven by positive rental reversions of our major tenants. Occupancy fell one point to 96%.

The major renovation at Peak Galleria continued. The mall has been closed since October 2018 except for two restaurants that commenced business in the first half of 2019. It is expected to fully re-open by phases from the summer of 2019.

Offices

Revenue from our Hong Kong office portfolio grew 3% to HK$655 million mainly driven by positive rental reversions. Overall occupancy rate declined one point to 93%. Our offices in Central and Mongkok recorded income growth of 5% and 6%, respectively, while revenue from those in Causeway Bay dropped 5%. The Hong Kong office rental amount accounted for 33% of our total leasing income in Hong Kong.

3. Property Sales

During the period, one semi-detached house at 23-39 Blue Pool Road (2018: three houses) was sold. As the sale will be recognized upon completion of legal assignment later this year, no revenue or profit in respect of property sales was recorded in the first half of 2019.

4. Property Revaluation

An overall revaluation gain of HK$1,438 million, representing a 1% growth in valuation as compared to the value as of December 31, 2018, was recorded in the first half of 2019 (2018: HK$2,456 million), mostly attributable to the gains of our Hong Kong portfolio.

5. Profit Attributable to Shareholders

Underlying net profit attributable to shareholders decreased 4% to HK$2,229 million. After including a revaluation gain on properties, net profit attributable to shareholders dropped 25% to HK$3,516 million.

6. Projects under Development

All projects under development in mainland China are progressing as planned. The mall and office tower at Spring City 66 in Kunming is expected to open in the second half of this year. Heartland 66 in Wuhan is expected to be completed in stages starting from 2020. The development of Hangzhou Westlake 66 has started and is planned for completion in phases from 2024.

The second office tower at Wuxi Center 66 is almost completed. Leasing activity has commenced and the tower will be ready for handing over to tenants in the second half of 2019. The master plan for the Wuxi Phase Two development was approved by the government in March 2019. The project includes luxury serviced apartments and a boutique hotel.

The conversion of the top 19 floors of the office tower at Shenyang Forum 66 into a Conrad Hotel is close to completion. The hotel is planned to commence operation in the second half of this year.

In Hong Kong, we have consolidated the entire interests in the Amoycan Industrial Centre in Ngau Tau Kok through the Compulsory Sale for Redevelopment Order. The site is planned to be re-developed into residential properties for sale. In addition, jointly with our parent company, Hang Lung Group Limited, we are embarking on a re-development project at Electric Road in North Point.

7. Financial Position

As of June 30, 2019, Hang Lung Properties had cash and bank balances of HK$6,208 million and total borrowings of HK$31,615 million, resulting in a net debt balance of HK$25,407 million (December 31, 2018: HK$14,890 million). As of June 30, 2019, undrawn committed banking facilities amounted to HK$11,283 million (December 31, 2018: HK$16,224 million), and available balances of the USD3 billion Medium Term Note Program and the RMB10 billion Green Panda Bond Program totaled HK$21,247 million (December 31, 2018: HK$21,297 million).

The net debt to equity ratio was 17.6% (December 31, 2018: 10.4%) while the debt to equity ratio was 21.9% (December 31, 2018: 19.0%).

Hang Lung Group Limited (Stock Code: 00010)
Key Highlights of 2019 Interim Results

1. Total Revenue & Operating Profit

Total revenue and total operating profit decreased 17% and 12% to HK$4,505 million and HK$3,432 million, respectively, as no property sales were recognized during the period.

2. Property Leasing

Total revenue of property leasing increased 2% to HK$4,505 million. Income of the Hong Kong leasing portfolio grew 3% and that of the Mainland properties increased 1%. Total property leasing operating profit rose 3%.

a. Mainland China Portfolio

Revenue of the entire mainland China portfolio advanced 7% to RMB2,083 million. Revenue of our Shanghai properties advanced 4% period-on-period amidst the short-term rental interruption caused by the large scale renovation at Grand Gateway 66. Properties outside Shanghai achieved a remarkable 14% revenue growth period-on-period and continued the growth momentum with a 7% increment compared to the second half of last year. Average margin improved to 68%.

Malls

Total revenue of our eight malls in mainland China increased 8% to RMB1,479 million. The Shanghai Plaza 66 mall reported double-digit increases in revenue and retail sales at 11% and 15%, respectively. The mall has firmly established its positioning as the Home to Luxury, and continues to add new and renowned luxury labels and high-end restaurants to its tenant portfolio. In addition, we have seen more quality tenant collaborations and direct engagements with our customers after the debut launch of HOUSE 66, our nationwide Customer Relationship Management program, in September 2018.

Revenue of the Shanghai Grand Gateway 66 mall retreated 4% due to the short-term interruption caused by a major upgrading program commenced in 2017. The first phase of the upgrade works was completed with the North Building re-opened in September 2018. The renovated area was fully let with higher rental income. The second phase, covering the bulk of the South Building and its basement, is in full swing and the progress made is on track. The basement has partially re-opened and a variety of new cosmetics brands will be introduced. The works of the second phase are expected to be completed in stages from late 2019.

Our six shopping malls outside of Shanghai achieved growth in both revenue and sales. The malls of Shenyang Palace 66, Jinan Parc 66, Wuxi Center 66 and Dalian Olympia 66 reported double-digit increases in revenue period-on-period attributable to increases in occupancy rate and turnover rent as well as favorable rental reversions. Revenue of Shenyang Forum 66 and Tianjin Riverside 66 both rose 3%, with our efforts to reshuffle tenants and diversify trade mix continuing.

Offices

Revenue of the office portfolio in mainland China increased 4% to RMB535 million.

Revenue of the offices at Plaza 66, Grand Gateway 66 and Forum 66 grew 4%, 3% and 11%, respectively, with higher occupancy.

Revenue of the office at Center 66 dropped 3%. Occupancy rate slipped one point to 90%. The second tower will be ready for handing over to tenants in the second half of 2019. Pre-leasing activities are underway.

b. Hong Kong Portfolio

Total revenue and operating profit of our Hong Kong leasing portfolio recorded growth of 3% and 4% to HK$2,096 million and HK$1,797 million, respectively. Overall rental margin was 86%. Total retail sales advanced 7% period-on-period.

Commercial

Revenue of our Hong Kong commercial portfolio increased 4% to HK$1,207 million, mainly driven by positive rental reversions of our major tenants. Occupancy fell one point to 96%.

The major renovation at Peak Galleria continued. The mall has been closed since October 2018 except for two restaurants that commenced business in the first half of 2019. It will be re-open by phases from the summer of 2019.

Offices

Revenue from our Hong Kong office portfolio grew 3% to HK$728 million mainly driven by positive rental reversions. Overall occupancy rate stayed flat at 94%. Our offices in Central and Mongkok recorded income growth of 5% and 6%, respectively, while revenue from those in Causeway Bay dropped 5%. The Hong Kong office rental amount accounted for 35% of our total leasing income in Hong Kong.

3. Property Sales

During the period, one semi-detached house at 23-39 Blue Pool Road (2018: three houses) was sold. As the sale will be recognized upon completion of legal assignment later this year, no revenue or profit in respect of property sales was recorded in the first half of 2019.

The group also disposed of certain non-core investment properties in Hong Kong. A gain on disposal of HK$868 million was included in other income for the period.

4. Property Revaluation

Total revaluation gain of HK$2,039 million, representing a 1% growth in valuation as compared to the value as of December 31, 2018, was recorded in the first half of 2019 (2018: HK$2,532 million), mostly attributable to the gains of our Hong Kong portfolio.

5. Profit Attributable to Shareholders

Underlying net profit attributable to shareholders increased 59% to HK$2,324 million mainly attributable to the disposal of non-core assets. After including a revaluation gain on properties, net profit attributable to shareholders rose 22% to HK$3,709 million.

6. Projects under Development

All projects under development in mainland China are progressing as planned. The mall and office tower at Spring City 66 in Kunming is expected to open in the second half of this year. Heartland 66 in Wuhan is expected to be completed in stages starting from 2020. The development of Hangzhou Westlake 66 has started and is planned for completion in phases from 2024.

The second office tower at Wuxi Center 66 is almost completed. Leasing activity has commenced and the tower will be ready for handing over to tenants in the second half of 2019. The master plan for the Wuxi Phase Two development was approved by the government in March 2019. The project includes luxury serviced apartments and a boutique hotel.

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In Hong Kong, the entire interests in the Amoycan Industrial Centre in Ngau Tau Kok were consolidated by the Group through the Compulsory Sale for Redevelopment Order. The site is planned to be re-developed into residential properties for sale. Also, the Group is embarking on a joint re-development project with its subsidiary, Hang Lung Properties Limited, at Electric Road in North Point.

7. Financial Position

As of June 30, 2019, Hang Lung Group had cash and bank balances of HK$7,370 million and total borrowings of HK$34,124 million, resulting in a net debt balance of HK$26,754 million (December 31, 2018: HK$18,142 million). As of June 30, 2019, undrawn committed banking facilities of the Group amounted to HK$16,433 million (December 31, 2018: HK$20,984 million), and available balances of the USD3 billion Medium Term Note Program and the RMB10 billion Green Panda Bond Program totaled HK$21,247 million (December 31, 2018: HK$21,297 million).

The net debt to equity ratio was 17.4% (December 31, 2018: 12.0%) while the debt to equity ratio was 22.2% (December 31, 2018: 20.3%).