Press Release

Hang Lung Reports Record-High Rental Revenue in the First Half of 2021

Summary of the 2021 Interim Results

- Revenue of the core property leasing businesses of Hang Lung Properties and Hang Lung Group hit a record high, growing period-on-period by 19% and 18%, respectively, due to robust growth from the Mainland portfolio, which contributed two-thirds of the total rental revenue;

- Benefitting from the sequential growth in the high-value goods market and the subsidence of COVID-19, most of our luxury malls on the Mainland reported double-digit revenue growth; sub-luxury malls reported a moderate growth;

- One-third of the rental revenue was contributed by Hong Kong portfolio, which maintained a high occupancy rate and started to show signs of recovery. Rent relief granted to selected trades was down significantly, period-on-period;

- The debut of Hang Lung Residences with a planned rollout in Wuhan, Wuxi, Kunming and Shenyang presents a new revenue stream to support a long-term vision for sustainable growth;

- Achieving sustainability goals and targets for 2030 continues to be an operational priority. Sustainable financing remains a focus, now accounting for 24% and 22% of total debts and available facilities of Hang Lung Properties and Hang Lung Group, respectively, with plans to increase that proportion further; more than HK$450 million of our spending will be on environmental, social and governance (ESG) priorities with a particularly focus on carbon emissions reduction in the coming 18 months;

- Initiatives worth over HK$10 million in support of HKSAR Government's COVID-19 vaccination drive were launched in June 2021.

In HK$ Million	Hang Lung Properties			Hang Lung Group		
Total Revenue	19%	to	4,975	18%	to	5,275
Rental Revenue	19%	to	4,975	18%	to	5,275
- Mainland China	45%	to	3,295	42%	to	3,526
- Hong Kong	-12%	to	1,680	-12%	to	1,749
Property Sales Revenue			-			-
Total Operating Profit	19%	to	3,630	19%	to	3,848
- Property Leasing	20%	to	3,652	19%	to	3,870
- Property Sales	-450%	to	(22)	-450%	to	(22)
Underlying Net Profit Attributable to Shareholders	11%	to	2,200	12%	to	1,498
- Property Leasing	11%	to	2,220	13%	to	1,510
- Property Sales	-400%	to	(20)	-500%	to	(12)
Net Profit Attributable to Shareholders			2,235			1,508
Interim Dividend Per Share (HK$)	6%	to	0.18	11%	to	0.21

(Hong Kong, July 29, 2021) Hang Lung Properties Limited (Stock Code: 00101) and Hang Lung Group Limited (Stock Code: 00010) today announced their financial results for the six months ended June 30, 2021. Driven by the robust rental growth for the Mainland portfolio, revenue of the core property leasing businesses hit a record high, increasing by 19% to HK$4,975 million and 18% to HK$5,275 million, period-on-period, for Hang Lung Properties and Hang Lung Group, respectively, while their corresponding operating profit rose 20% to HK$3,652 million and 19% to HK$3,870 million. No property sales revenue was recorded in the first half of 2021 as the sale of a house at Blue Pool Road towards the end of the reporting period will be recognized only upon completion of legal assignment in the first quarter of 2022.

Net profit attributable to shareholders of Hang Lung Properties and Hang Lung Group was HK$2,235 million and HK$1,508 million, respectively.

The Boards of Directors of Hang Lung Properties and Hang Lung Group have declared an interim dividend of HK18 cents per share and HK21 cents per share, respectively, to be paid by cash on September 29, 2021, to shareholders whose names appeared on the register of members on September 15, 2021.

Business Overview

For the first six months of 2021, rental revenue from the Mainland businesses of Hang Lung Properties and Hang Lung Group jumped by 33% to RMB2,746 million and 31% to RMB2,939 million, respectively, while their corresponding operating profit increased by 40% and 37%, respectively. Including the 8.6% RMB appreciation against HKD over the corresponding period last year, overall rental revenue and operating profit from the Mainland businesses of Hang Lung Properties rose by 45% and 53%, respectively, and that of Hang Lung Group grew by 42% and 49%, respectively.

All segments of our Mainland businesses reported notable growth during the reporting period partly due to remarkable tenant sales growth and the ensuing increase in the turnover rent of the malls and an uplift of the occupancy rate of the offices. Benefitting from the sequential growth in the high-value goods market, which began in April 2020, most of our luxury malls including Plaza 66 and Grand Gateway 66 in Shanghai, Forum 66 in Shenyang, Center 66 in Wuxi, and Spring City 66 in Kunming enjoyed double-digit revenue growth. The revenue from Olympia 66 in Dalian, which is undergoing a transformation into a luxury-led regional mall has stayed flat as a strong line-up of top-luxury brands has been entering progressively since the third quarter of 2020, with the majority preparing for opening in the second half of 2021. Heartland 66 mall in Wuhan generated a revenue of RMB43 million in just over three months of operation, with the occupancy rate reaching 71% at the reporting date. Meanwhile, sub-luxury malls, including Palace 66 in Shenyang, Parc 66 in Jinan, and Riverside 66 in Tianjin reported moderate growth of 3%, reflecting slower foot traffic-led consumption and sporadic COVID-19 outbreaks in those regions.

During the reporting period, Hong Kong continued to endure the adverse effects of COVID-19 but started to show signs of recovery. We continued to grant rent relief to selected trades in Hong Kong but at a much-reduced level period-on-period, as market conditions started stabilizing. With the relief measures, along with our tenancy renewal and refinement, we maintained a high occupancy rate and contained the revenue drop at 12% to HK$1,680 million and HK$1,749 million for Hang Lung Properties and Hang Lung Group, respectively. Our customer relationship management (CRM) program named "hello Hang Lung Malls Rewards Program" along with the Hang Lung Malls App, which were launched in March 2021, helped accelerate recovery.

Mr. Ronnie C. Chan, Chair of Hang Lung Group and Hang Lung Properties, said, "Our portfolio of luxury malls in mainland China continues to put us in the best position to capture the sequential growth in the high-value goods market, with most of our luxury malls displaying double-digit growth in the first half of 2021. As of the end of the reporting period, our Mainland portfolio accounted for two-third of our total rental revenue. The debut of Hang Lung Residences on the Mainland presents a new revenue stream for us and further enhances our project competitiveness in the coming years."

Mr. Adriel Chan, Vice Chair of Hang Lung Group and Hang Lung Properties, said, "While we have always focused on financial sustainability, we are now more committed than ever to our ESG performance, as well. Our 2030 sustainability goals and targets are an operational priority, helping us on our path to become one of the most sustainable real estate companies in the world. In the coming 18 months, more than HK$450 million will be spent on ESG priorities, with a focus on first measuring, and then reducing our carbon emissions through energy efficiency initiatives and renewable energy applications for both new and existing properties."

Mr. Weber Lo, Chief Executive Officer of Hang Lung Group and Hang Lung Properties, commented on the performance of the Hong Kong business, "Despite the fact that the overall retail environment has yet to recover to pre-pandemic levels, we have started to see signs of recovery. We were able to maintain a high occupancy rate as at the reporting date and contain the revenue downward trend. As the pandemic is kept largely under control, coupled with the electronic Consumption Voucher Scheme launched by the HKSAR Government, we believe that our business performance will improve in the second half of the year. In support of the government's vaccination drive, we launched initiatives worth over HK$10 million to encourage the general public and our employees to get fully vaccinated and we believe that this will help accelerate the economic recovery, particularly when the border with the Mainland reopens."

Business Outlook

The strong performance of our luxury malls in mainland China is expected to continue. Apart from organic growth, more luxury brand stores will be opened in the second half at Olympia 66 in Dalian and Heartland 66 in Wuhan, they will fuel the revenue growth of our luxury malls. Our HOUSE 66 CRM program and tenant collaboration initiatives are also the driving forces of tenant sales. Our comprehensive office offerings including HANGOUT and modular offices will continue to accelerate the pace of leasing at the new office towers.

In Hong Kong, the leasing environment has shown signs of recovery. The decline in local infection rates and a combination of government and businesses vaccination programs have begun to bring confidence back to the market. We can expect a significant recovery when international travel normalizes, and social distancing rules are relaxed. We believe the electronic Consumption Voucher Scheme organized by the HKSAR Government will be a catalyst for local spending in the second half this year. In the meantime, we focus on optimizing our tenant mix, protecting occupancy, and stepping up our engagement with customers to capture local consumption.

On the property sale side, we launched Hang Lung Residences on the Mainland in June 2021. This new property sales revenue stream forms part of Hang Lung's long-term vision for sustainable growth, further capitalizing on our prime locations in prime cities and enhancing our overall project values. Pre-sale of Heartland Residences in Wuhan will begin in the first half of 2022, and Spring City 66's Grand Hyatt Residences Kunming are expected to launch in late 2022.

In Hong Kong, the three redevelopment projects are progressing well. Depending on market conditions, we continue to look for opportunities to sell residential properties and recycle capital out of non-core properties.

This press release and the full results announcements are available for download from the Hang Lung website at www.hanglung.com.

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