恒隆集團 HANG LUNG GROUP 恒隆地產 HANG LUNG PROPERTIES

Press Release

Hang Lung Resets for Long-Term Growth Amid Macro Challenges

Summary of the 2024 Interim Results

- Amid macro challenges, Hang Lung employs financial and executional discipline to reset for long-term growth. Measures include refining the tenant mix for optimal occupancy and rental stability, implementing targeted marketing and customer relationship management ("CRM") initiatives to drive footfall and sales penetration, while maintaining prudent financial practices to safeguard its sound financial position.

- Total revenue of Hang Lung Properties and Hang Lung Group increased by 17% and 15% to HK$6,114 million and HK$6,379 million, respectively, with the recognition of property sales revenue of HK$1,228 million.

- Revenue from property leasing was affected by weakened economic sentiment in both the Mainland and Hong Kong as well as the Renminbi depreciation, but the overall occupancy rate remained high.

- On the Mainland, the occupancy rate for malls continued to rise in general, thanks to tenants' confidence in the malls' leadership positions in their respective cities. Numerous customer-centric promotions and events supported the business.

    - Luxury malls on the Mainland maintained their prominent positioning in the luxury retail market, with Plaza 66 in Shanghai retaining full occupancy at the end of the period. Sub-luxury malls recorded a 5% rise in revenue.

    - The office portfolio continued to provide a stable source of income despite increasing supply across cities.

- In Hong Kong, the occupancy was well-managed and remained high.

- With the addition of three new power purchase agreements, effective from April 1, 2024, half of Hang Lung's operating properties on the Mainland are now powered by renewable energy. Hang Lung is already set to go well beyond its 2025 sustainable target of 25% renewable energy for the Mainland portfolio.

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We Do It Well

In HK$ Million	**Hang Lung Properties**			**Hang Lung Group**		
Total Revenue	17%	to	6,114	15%	to	6,379
Rental Revenue	-7%	to	4,886	-7%	to	5,151
- Mainland China	-6%	to	3,338	-6%	to	3,537
- Hong Kong	-8%	to	1,548	-8%	to	1,614
Property Sales Revenue			1,228			1,228
Total Operating Profit/(Loss)	-10%	to	3,430	-10%	to	3,613
- Property Leasing	-11%	to	3,441	-11%	to	3,624
- Property Sales	68%	to	(11)	66%	to	(11)
Underlying Net Profit/(Loss) Attributable to Shareholders	-22%	to	1,735	-18%	to	1,281
- Property Leasing	-22%	to	1,757	-18%	to	1,294
- Property Sales	-5%	to	(22)	-18%	to	(13)
Net Profit Attributable to Shareholders	-56%	to	1,061	-47%	to	888
Interim Dividend Per Share (HK$)	-33%	to	0.12	-	to	0.21

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(Hong Kong, July 30, 2024) Hang Lung Properties Limited (SEHK Stock Code: 00101) and Hang Lung Group Limited (SEHK Stock Code: 00010) today announced their financial results for the six months ended June 30, 2024. The total revenue of Hang Lung Properties and Hang Lung Group increased by 17% and 15% to HK$6,114 million and HK$6,379 million, respectively, with the recognition of property sales revenue of HK$1,228 million. Affected by the softening of retail and office markets in Hong Kong and mainland China during the period, the total rental revenue of Hang Lung Properties and Hang Lung Group decreased by 7% to HK$4,886 million and HK$5,151 million, respectively.

The underlying net profit attributable to shareholders of Hang Lung Properties and Hang Lung Group was HK$1,735 million and HK$1,281 million, respectively.

The Board of Directors of Hang Lung Properties has declared an interim dividend of HK12 cents per share, to be paid on or about September 25, 2024, to shareholders whose names are listed on the register of members on August 16, 2024.

The Board of Directors of Hang Lung Properties proposes that eligible shareholders be given the option to elect to receive the interim dividend in cash, or in the form of new shares in lieu of cash in respect of part or all of such dividend (the "Scrip Dividend Arrangement"). The Scrip Dividend Arrangement is conditional upon The Stock Exchange of Hong Kong Limited granting the listing of and permission to deal in the new shares to be issued pursuant to the Scrip Dividend Arrangement.

Besides, the Board of Directors of Hang Lung Group has declared an interim dividend of HK21 cents per share, to be paid in cash on September 25, 2024, to shareholders whose names are listed on the register of members on August 16, 2024.

Business Overview

During the period, the overall rental revenue of Hang Lung Properties and Hang Lung Group was affected by weakening retail consumption on the Mainland and in Hong Kong and a rising number of outbound travelers in both markets. **The overall occupancy rate remained consistently high** thanks to tenants' confidence in the malls' leadership positions in their respective cities.

On the Mainland, continual growth in overall occupancy and footfall was achieved following unwavering promotional and marketing efforts and the refinement of tenant compositions. Revenue of our luxury malls dropped by 4% due to declining consumer sentiment in the luxury market, particularly in Shanghai. However, Hang Lung's sub-luxury malls recorded growth ranging from 1% at Parc 66 in Jinan to 15% at Riverside 66 in Tianjin.

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The total revenue from the premium office portfolio of Hang Lung Properties and Hang Lung Group continued to provide a stable source of income, comprising around 18% and 21% of the total Mainland rental revenue, respectively. Despite challenges owing to a rising supply of office space and soft demand, office towers at Center 66 in Wuxi recorded revenue growth of 2%, accompanied by a climb in the occupancy rate of 6 percentage points.

Construction of luxury serviced apartments and hotels in Wuxi and Kunming has made good progress. Grand Hyatt Residences Kunming obtained its completion certificate in the first half of 2024, while the Grand Hyatt Kunming is slated to open in the third quarter of the year. Center Residences in Wuxi is scheduled for completion in phases from 2025 onwards.

In Hong Kong, occupancy was well-managed and achieved a high level, with ongoing refinement of the trade and brand mix to cater to the preferences and behaviors of locals and tourists. Revenue of retail properties in the Central Business and Tourist District Portfolio receded, but the Community Mall Portfolio was relatively resilient. In the office portfolio, proactive measures were implemented to maintain a relatively high occupancy level of 90%.

For property sales, HK$1,228 million in revenue was recognized during the reporting period for sale at The Aperture in Hong Kong and Heartland Residences in Wuhan, as well as one house on Blue Pool Road, Hong Kong.

Mr. Adriel Chan, Chair of Hang Lung Group and Hang Lung Properties, said, "Following several consecutive years of record-setting luxury market growth in China, the past 12 months have witnessed a normalization of on-shore spending. The shift has mainly been driven by customers in first-tier cities who started traveling overseas significantly more – in particular to Japan, where the exchange rate has made products 30% cheaper, alongside a general softening of domestic consumer confidence.

“Despite the normalization in Shanghai, I am happy that our retail properties in other cities have accounted for more than 50% of our total tenant sales. This underscores the success of our multi-city strategy, and I am confident that our platform will perform well when confidence returns.”

Mr. Weber Lo, Chief Executive Officer of Hang Lung Group and Hang Lung Properties, said, “Our financial position has remained healthy, and the overall occupancy of our property leasing business has maintained at high levels thanks to our disciplined financial management and operational execution respectively. The sales penetration of our CRM program maintained an uptrend. To drive footfall and stimulate consumer spending, we continued to refine the tenant mix, stepped up engaging and customer-centric marketing campaigns across our properties, and enhanced our facilities and services to elevate the overall shopping experience. We will remain vigilant and agile to adapt to market adversities and uphold strict discipline to strengthen our core competencies.”

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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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