

## Press Release

### Hang Lung's Rental Revenue Surges Driven by Robust Performance of Luxury Malls in Mainland China

#### Summary of the 2021 Annual Results

- Revenue of the property leasing businesses of Hang Lung Properties and Hang Lung Group continued their growth momentum, surging year-on-year by 16% and 15%, respectively.
- Driven by the robust demand for high-end products, all of our luxury malls on the Mainland enjoyed double-digit growth in rental revenue, while sub-luxury malls on the Mainland recorded moderate growth.
- Amid highly competitive office leasing sector in mainland China, our office portfolio recorded positive growth owing to continuous improvement in occupancy, rental reversion and innovative workspace solutions such as HANGOUT.
- One-third of the rental revenue was contributed by the Hong Kong portfolio. Despite stringent social distancing and border control measures, tenant sales significantly increased led by the government's electronic Consumption Voucher Scheme and Hang Lung's "Go Shopping!" Rewards Program launched in the second half of 2021.
- One house at 23-39 Blue Pool Road was sold, and 123 residential units at The Aperture in Hong Kong were pre-sold, with revenue to be recognized in 2022 and 2023, respectively, upon sale completion.
- Pre-sale of Heartland Residences in Wuhan, the inaugural project of our premium serviced residences brand on the Mainland, is expected to commence in the first half of 2022.
- Significant strides have been made in sustainability, including establishing **25 x 25 Sustainability Targets** and securing sustainable financing for 30% and 28% of total debts and available facilities of Hang Lung Properties and Hang Lung Group, respectively, as of the end of the reporting period.



In HK\$ Million	Hang Lung Properties	Hang Lung Group
Total Revenue	15% to 10,321	15% to 10,919
Rental Revenue	16% to 10,321	15% to 10,919
- Mainland China	31% to 6,939	30% to 7,402
- Hong Kong	-7% to 3,382	-7% to 3,517
Property Sales Revenue	-100% to -	-100% to -
Total Operating Profit	14% to 7,371	13% to 7,807
- Property Leasing	16% to 7,462	16% to 7,898
- Property Sales	(91)	(91)
Underlying Net Profit Attributable to Shareholders	4% to 4,365	6% to 2,991
- Property Leasing	6% to 4,430	8% to 3,029
- Property Sales	(65)	(38)
Net Profit Attributable to Shareholders	3,868	2,589
Total Dividends Per Share (HK\$)	3% to 0.78	5% to 0.86
Interim (Paid)	6% to 0.18	11% to 0.21
Final (Proposed)	2% to 0.60	3% to 0.65

(Hong Kong, January 27, 2022) Hang Lung Properties Limited (Stock Code: 00101) and Hang Lung Group Limited (Stock Code: 00010) today announced their financial results for the year ended December 31, 2021. Despite sporadic resurgences of COVID-19 cases within specific provinces on mainland China during the year, the overall rental revenue for Hang Lung Properties and Hang Lung Group surged by 16% to HK\$10,321 million and 15% to HK\$10,919 million, respectively, driven by the strong performance of luxury malls on the Mainland. Corresponding operating profits rose 16% to HK\$7,462 million and HK\$7,898 million, respectively. No property sales revenue was recognized in 2021. The revenue from the sale of a house at 23-39 Blue Pool Road will be recognized in the first quarter of 2022 upon completion of the legal assignment. The revenue from pre-sale of The Aperture will be recognized in 2023 upon sale completion.

The total revenues of Hang Lung Properties and Hang Lung Group increased by 15% to HK\$10,321



million and HK\$10,919 million, respectively, compared to the last year. Net profit attributable to shareholders of Hang Lung Properties and Hang Lung Group was HK\$3,868 million and HK\$2,589 million, respectively.

The Boards of Directors of Hang Lung Properties and Hang Lung Group have recommended a final dividend of HK60 cents per share and HK65 cents per share, respectively, to be paid in cash on May 19, 2022 to shareholders listed on the register of members on May 4, 2022. Together with the interim dividends of HK18 cents per share paid by Hang Lung Properties and HK21 cents per share paid by Hang Lung Group, the full-year dividend for 2021 will be HK78 cents per share and HK86 cents per share, respectively.

## **Business Overview**

**Mainland portfolio reported double-digit year-on-year revenue growth.** For the financial year ended December 31, 2021, rental revenue from the Mainland portfolio of Hang Lung Properties and Hang Lung Group surged by 23% to RMB5,757 million and 22% to RMB6,141 million, respectively. Excluding the rental contributions from the Heartland 66 Office Tower and mall in Wuhan, which opened in November 2020 and March 2021, respectively, year-on-year rental revenue increased by 19% for Hang Lung Properties and by 18% for Hang Lung Group.

**All of our luxury malls in mainland China enjoyed double-digit revenue growth.** The retail market for high-end products remained robust throughout the year, and year-on-year tenant sales growth ranged between 33% and 89%. In particular, the revenue for Olympia 66 in Dalian for the second half of 2021 jumped by 45% compared to the first half of 2021, following its transformation into a luxury-led mall. Wuhan-based luxury mall Heartland 66, which started operations in March 2021, delivered an exceptional performance with revenue reaching RMB153 million, tenant sales of almost RMB1 billion, and a 84% occupancy rate in less than ten months of operations. Meanwhile, **sub-luxury malls, including Palace 66 in Shenyang, Parc 66 in Jinan, and Riverside 66 in Tianjin, recorded moderate growth** with a year-on-year increase of 2%, reflecting the uneven impact of the pandemic on different market segments. The performance was also affected by a resurgence of COVID-19 cases in their respective cities.

Despite the uncertain economic situation brought by stringent social distancing measures and border control, **a more sales-driven approach was adopted to stimulate tenant sales and footfall in Hong Kong, in particular, the “Go Shopping!” Rewards Program** coupled with the government’s Consumption Voucher Scheme in the second half of 2021. Tenant sales for Hang Lung Properties and Hang Lung Group improved by 9% and 8%, respectively, compared to 2020, with year-on-year growth of 16% generated in the second half of 2021. The launch of the “hello Hang Lung Malls Rewards Program” and the Hang Lung Malls App in March 2021 further enhanced customer engagement and shopping experiences for “hello” members. In addition, initiatives worth HK\$27 million were introduced to support the government’s COVID-19 vaccination drive and fully vaccinated “hello” members received free e-shopping coupons.



**The Aperture showed a positive pre-sale performance in December 2021.** As of December 31, 2021, 123 residential units were pre-sold for a total of HK\$1,083 million. The revenue is expected to be recognized in 2023 upon sale completion. Additionally, one house at 23-39 Blue Pool Road was sold in 2021, for which the sales revenue will be recognized on completion of the legal assignment in the first quarter of 2022. As a result, no property sales revenue was recorded during the fiscal year and an operating loss of HK\$91 million was reported from property sales in 2021, mainly including the selling expenses for The Aperture and the marketing expenses for Heartland Residences in Wuhan.

Mr. Ronnie C. Chan, Chair of Hang Lung Group and Hang Lung Properties, said, “Despite COVID-19 still casting a shadow over the global economic recovery, both our Mainland and Hong Kong portfolios achieved substantial development during the reporting year, particularly all of our luxury malls in mainland China reported double-digit growth in rental revenue while our Hong Kong portfolio recorded an increase in tenant sales. Looking ahead to 2022, we see the solid growth momentum across our Mainland portfolio, which accounted for two-thirds of our total rental revenue, to continue as the world-class experiences offered by luxury brands along with our continued investment in HOUSE 66, our customer relationship management (CRM) program will keep our Mainland consumers spending majority of their luxury goods purchases onshore even after the international borders reopen. The three-year Asset Enhancement Initiative at Parc 66 in Jinan, which began in June 2021, is expected to replicate the success of similar projects at our malls in Shanghai, further enhancing our luxury portfolio in capturing the robust growth in the high-end retail market.”

Mr. Adriel Chan, Vice Chair of Hang Lung Group and Hang Lung Properties, said, “It has been an exciting year. We have taken a big step forward in our journey towards becoming one of the world’s most sustainable real estate companies. Following the announcement of our 2030 Sustainability Goals and Targets, we set 25 sustainability targets for the end of 2025 in December 2021. **25 x 25 Sustainability Targets** is our clear sustainable development roadmap for the next four years. For 2022, more than HK\$300 million is earmarked for ESG priorities with a primary focus on reducing carbon emissions through energy efficiency initiatives.”

Mr. Weber Lo, Chief Executive Officer of Hang Lung Group and Hang Lung Properties, said, “While COVID-19 continues to surge across the globe and has posed extraordinary challenges on the retail environment, we are cautiously optimistic about our overall business prospects. With customer centricity as our core strategy, our CRM programs in mainland China and Hong Kong will continue to deepen customer engagement spearheaded by our bespoke services. The launch of Hang Lung Residences presents a new revenue stream capturing the high demand in the premium living market. Our development projects in mainland China and Hong Kong are making headway.”



## **Business Outlook**

Our Mainland portfolio is expected to continue to be the growth driver in 2022. We will continue to increase the collection of luxury brands in our malls and collaborate with them on strategic marketing initiatives through HOUSE 66. The steady leasing pace of our new office towers will carry forward into 2022, driving up the overall occupancy and contributions of our office portfolio.

The performance of our Hong Kong portfolio will hinge upon the situation of COVID-19 and various government measures relating to the containment of the pandemic. We will continue to optimize our tenant mix, retain quality tenants, and step up our customer engagement to overcome the challenges ahead and grow the business continuously.

On the property sale side, we expect the Mainland's demand for high-end residential properties to remain strong. Hang Lung Residences, our premium serviced residences brand in Wuhan, Wuxi, and Shenyang, and our hotel-branded residences in Kunming, are dedicated to demonstrating Hang Lung's commitment to enriching the lives of the communities we serve by building a sustainable future together. Those will further enrich the total offerings and enhance the premium positioning of our overall portfolio. We will launch the pre-sale of our Heartland Residences in Wuhan in the first half of 2022, followed by our Center Residences in Wuxi from the end of 2022.

In Hong Kong, our redevelopment projects are making headway. The response from The Aperture pre-sale since December 2021 has been positive. We will continue to look for opportunities to sell development properties and dispose of non-core assets in Hong Kong to support capital recycling into new projects with higher returns.

This press release and the full results announcements are available for download from the Hang Lung website at [www.hanglung.com](http://www.hanglung.com).

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