

Press Release

Hang Lung Maintains Overall Business Resilience in the First Half of 2022

Summary of the 2022 Interim Results

- Total revenue of Hang Lung Properties and Hang Lung Group for the six months ended June 30, 2022 increased by 7% to HK\$5,302 million and 6% to HK\$5,605 million respectively.
- Benefiting from our geographical diversification strategy, the negative impact of COVID-19 on both the revenues of our luxury malls in Shanghai and our Hong Kong portfolio were alleviated by the solid performance of other luxury malls on the Mainland, particularly with Spring City 66 in Kunming, Olympia 66 in Dalian, and Heartland 66 in Wuhan delivering remarkable growth in revenue, as well as the stable and resilient income stream from our Mainland office portfolio. Occupancy rates at our most recently inaugurated office towers in Wuxi, Kunming, and Wuhan continued their upward climb. The self-operated multifunctional workspace, HANGOUT, at Center 66 in Wuxi elevated our competitiveness against our peers and further improved occupancy rates.
- Our strategic focus on luxury retail continues to bear fruits in mainland China, with Center 66, Spring City 66 and Olympia 66 becoming the undisputed leader in high-end consumption in their respective cities.
- Hang Lung is the first real estate developer in Hong Kong, and among the first in Asia, to commit to ULI Greenprint's net zero carbon operations goal, launched by the Urban Land Institute Greenprint Center for Building Performance, marking a significant milestone in becoming one of the most sustainable real estate companies in the world. Sustainable finance accounted for over 30% of total debts and available facilities in the first half of 2022.
- The "Hang Lung COVID-19 Relief Fund 2.0" was set up with an injection of over HK\$13 million to support urgent pandemic countermeasures in Hong Kong and mainland China.



In HK\$ Million	Hang Lung Properties	Hang Lung Group
Total Revenue	7% to 5,302	6% to 5,605
Rental Revenue	- to 4,986	- to 5,289
- Mainland China	2% to 3,367	2% to 3,607
- Hong Kong	-4% to 1,619	-4% to 1,682
Property Sales Revenue	316	316
Total Operating Profit	2% to 3,708	2% to 3,929
- Property Leasing	-2% to 3,575	-2% to 3,796
- Property Sales	133	133
Underlying Net Profit Attributable to Shareholders	1% to 2,217	7% to 1,600
- Property Leasing	-5% to 2,109	2% to 1,537
- Property Sales	108	63
Net Profit Attributable to Shareholders	-13% to 1,948	-5% to 1,439
Interim Dividend Per Share (HK\$)	- to 0.18	- to 0.21



(Hong Kong, July 28, 2022) 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, 2022. Leveraging the advantages of geographical diversification, the rental revenue of the Mainland portfolio continued its growth trajectory, outweighing the contraction of Hong Kong portfolio due to the tightened social distancing restrictions in face of the fifth wave of the COVID-19 pandemic. The overall rental revenue of Hang Lung Properties and Hang Lung Group was flat at HK\$4,986 million and HK\$5,289 million respectively. Property sales revenue of HK\$316 million for Hang Lung Properties and Hang Lung Group was recognized during the period.

Underlying net profit attributable to shareholders of Hang Lung Properties and Hang Lung Group was HK\$2,217 million and HK\$1,600 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 in cash on September 29, 2022, to shareholders whose names appeared on their respective registers of members on September 15, 2022.

Business Overview

For the first six months of 2022, **rental revenue from the Mainland businesses of Hang Lung Properties and Hang Lung Group both edged up by 1%**, to RMB2,784 million and RMB2,983 million respectively, whilst rising by 2% in HKD terms. Despite the revenue growth momentum in early 2022, led by the launch of a variety of promotions, improved tenant mix, and the enriched offerings of the customer relationship management (CRM) program HOUSE 66, the retail performance was unavoidably affected by the outbreak of the Omicron variant of COVID-19 in mid-March 2022, which prompted the reintroduction of stringent COVID-19 containment measures by local governments in various Mainland cities, including the citywide lockdown in Shanghai in April and May. Nevertheless, **benefiting from our strategy of geographical diversification, luxury malls outside Shanghai and Shenyang delivered satisfactory results with revenue advancing by a range of 7% to 184% period-on-period**, partially offsetting the impact of Shanghai's lockdown. In particular, Olympia 66 in Dalian performed impressively well with revenue recording a 67% growth period-on-period, as a rich line-up of luxury tenants opened their stores during the reporting period. Revenue of Spring City 66 mall in Kunming and Heartland 66 mall in Wuhan, which opened in March 2021, also advanced by 11% and 184% respectively, period-on-period, with the introduction of flagship stores and brand debuts. The leasing performance of Shanghai malls gradually recovered, subsequent to their reopening in June.



Our office portfolio demonstrated resilience and occupancy remained high despite the weak market, reflecting the premium location and competitive edge of the Grade A office towers as part of mixed-use developments, the quality and diversity of the tenant base, and the high standard of customer services and property management. Total revenue of Hang Lung Properties and Hang Lung Group grew by 16% to RMB547 million and 12% to RMB672 million, respectively, period-on-period, as occupancy rates at our most recently inaugurated office towers in Wuxi, Kunming, and Wuhan continued their upward climb.

In Hong Kong, the pandemic continued to weigh on leasing performance in the first half of 2022. The stringent social distancing measures imposed by the government in face of the fifth wave of the pandemic including the closure or partial closure of certain businesses, led to a significant reduction in foot traffic and a weakening of consumer sentiment. Nevertheless, **occupancy was well-managed and maintained at a satisfactory level** as enormous efforts were made to refine the tenant mix at malls in line with local consumption patterns, and the launch of marketing campaigns via the “hello Hang Lung Malls Rewards Program” in conjunction with the government’s electronic Consumption Voucher Scheme. Also, supportive measures such as rent relief were offered on a case-by-case basis to get through the challenging times together with tenants. Overall revenue of Hang Lung Properties and Hang Lung Group both retreated by 4%, to HK\$1,619 million and HK\$1,682 million, respectively.

On the property sales front, during the reporting period, three more residential units of The Aperture were sold, making a total of 125 residential units pre-sold since its launch in December 2021, at a total of HK\$1,098 million, which is expected to be recognized in 2023 upon sale completion. Meanwhile, revenue of HK\$316 million was recognized for the sale of one house on Blue Pool Road, completed in 2022. As a result, an operating profit of HK\$133 million was posted from property sales for the first six months of 2022.

Mr. Ronnie C. Chan, Chair of Hang Lung Group and Hang Lung Properties, said, “Our strategy of geographical diversification has proven successful in the first half of 2022. Although the Omicron variant of COVID-19 has hit cities hard, including Hong Kong and Shanghai, most of our luxury and sub-luxury malls outside Shanghai were able to deliver satisfactory results, despite market challenges, and were able to alleviate the impact of the Shanghai lockdown. Center 66 in Wuxi, Spring City 66 in Kunming and Olympia 66 in Dalian have become the undisputed leader in high-end consumption in their respective cities. The retail performance of our Shanghai malls demonstrated a healthy improvement subsequent to their reopening in June. We remain confident in our strategic positioning for the long-term, and in our Mainland portfolio as our business growth driver.”



Mr. Adriel Chan, Vice Chair of Hang Lung Group and Hang Lung Properties, said, “We continued to make good progress in achieving our ambition of becoming one of the most sustainable real estate companies in the world during the period. In particular, Hang Lung has become the first real estate developer in Hong Kong, and among the first in Asia to commit to ULI Greenprint’s net zero carbon operations goal, further demonstrating our commitment to achieving net zero by 2050. Sustainable finance now accounts for over 30% of our total debts and available facilities.”

Mr. Weber Lo, Chief Executive Officer of Hang Lung Group and Hang Lung Properties, said, “I’d like to express my gratitude to all our employees for their dedication and support in upholding our service philosophy of customer-centricity, even amid the challenges posed by COVID-19 across Hong Kong and mainland China. The support of our people along with the deployment of more customer-centric promotions through our CRM programs help drive footfall and stimulate consumer spending at our malls. We have also taken steps to promote the wellbeing of our employees and the communities in which we work and live. In particular, we set up the “Hang Lung COVID-19 Relief Fund 2.0” with an injection of over HK\$13 million, to support urgent pandemic countermeasures in Hong Kong and mainland China, making contributions not only to support sustainable business growth but also sustainable growth in the communities we serve.”

Business Outlook

Looking ahead, we remain cautiously optimistic. Ongoing concerns regarding COVID-19 undoubtedly prompt a degree of hesitancy about market conditions in Hong Kong and on the Mainland. Yet, the results of our strategic positioning and marketing efforts have demonstrated resilience in the face of challenges.

This resilience has seen Plaza 66 and Grand Gateway 66 return to near-2021 performance levels after two months of lockdown in Shanghai. Our younger luxury-positioned malls, Spring City 66 in Kunming, and Heartland 66 in Wuhan, as well as Olympia 66 in Dalian, which was recently repositioned to tap the luxury market, are delivering stronger than ever financial results in a market segment that is burgeoning despite the backdrop of the pandemic.

In this context, it would not be unreasonable to expect our Mainland portfolio to remain a strong growth driver. With the deployment of more customer-centric marketing initiatives, including leveraging HOUSE 66 to further strengthen customer loyalty, we will continue to drive footfall and stimulate consumer spending at our malls. Meanwhile, as demand for well-situated, high-quality and sustainable office space remains buoyant, our resilient office portfolio will continue to contribute steady income.

In Hong Kong, we have seen a solid rebound in overall market sentiment since mid-April 2022, when the fifth wave of COVID-19 was contained and the government rolled out targeted measures to boost domestic consumption. Building on this sentiment, we will continue to refine and enhance our tenant mix to position our malls for further recovery in consumption with the eventual reopening of the border with the Mainland. In addition, we continue to seek



opportunities to enhance the financial performance of our Hong Kong portfolio through asset enhancement initiatives and capital recycling exercises.

The contribution of property sales income is also set to increase with the debut of our premium serviced residences brand, Hang Lung Residences, on the Mainland. Pre-sales marketing activities at the inaugural project of the brand, Heartland Residences in Wuhan, commenced in July 2022 and the public launch will be subject to market assessment. As for property sales in Hong Kong, over 40% of saleable units of The Aperture have been sold since its launch in December 2021, revenue from which is expected to be recognized in 2023 upon transaction completion.

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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