

## OUTLOOK

### The market conditions in mainland China and Hong Kong will remain very challenging in 2016.

The economies of Mainland China and Hong Kong are uncertain amidst expected further interest rate hikes by The Federal Reserve Board of the United States. The restructuring of the retail market will continue in 2016.

The market correction of retail supply posts opportunities to us when we are able to attract retailers with a new idea or product. A “new normal” will emerge for those retailers that have a well thought-out strategy to rebrand and reposition, redesign stores and merchandise, improve in-shop experience and communicate effectively both on and off line. Throughout this process, there will be an increase in shop re-shuffling within our shopping malls, some resulting in positive rental reversions and some negative.

We continue to strengthen the Shanghai Plaza 66 mall with its major upgrade to accommodate a high-end brand refit and a livelier mix. A similar process for Shanghai Grand Gateway 66 will start towards the latter half of 2016. The new Dalian Olympia 66 shopping mall will achieve rental growth throughout 2016. We will continue to work with shop make-overs in Wuxi Center 66 and Shenyang Forum 66. The balance of our rental growth in mainland China will come from the leasing up of the office towers in Wuxi and Shenyang.

Against decreasing Mainland China visitor arrivals and associated spending, our Hong Kong retail portfolio has fared better than the overall industry due to our asset enhancement and diversity. Our mix, particularly the new content additions in Causeway Bay, Mongkok, Kornhill and Amoy, has a wider appeal than traditional luxury and is expected to experience growth. The demand for office space in Hong Kong remains strong and we have been able to capitalize on all the positive rental reversions. Barring an unforeseeable situation, our Hong Kong properties are expected to continue to deliver a steady performance next year.

We will sell some of the residential units on hand when the residential market conditions are favorable.