



Review of Operations

Mainland China Property Leasing

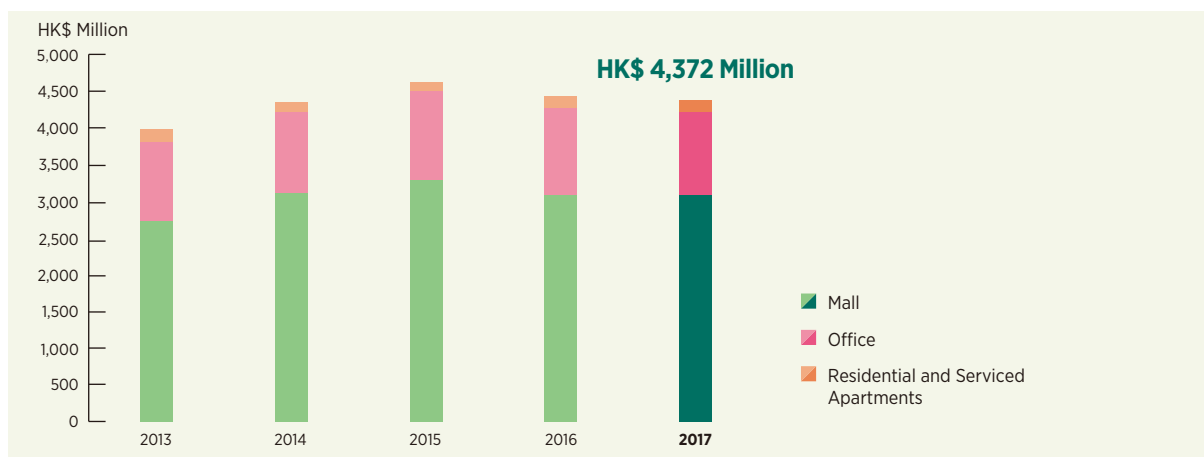
The performance of the Hang Lung portfolio of properties in mainland China is characterized by a gentle return of confidence in the domestic economic market particularly in the second half of 2017.

All of Hang Lung's malls and offices have positioned themselves with sufficient foresight to continue to see satisfactory growth in times of uncertainty. During the economic slowdown, we carried out large-scale asset enhancement initiatives for our two landmark properties in Shanghai. Plaza 66 has already reaped the benefits with unprecedented growth, while Grand Gateway 66 is poised to follow the same trajectory with the completion of its upgrading works in 2019. Outside Shanghai, our results reflect the best possible outcomes given the prevailing situation. Overall, the shopping mall performance has been satisfactory.

The performance of our offices is on an upward course. We have benefitted from the confidence of domestic corporations and also maintained our multinational complexion with tenant portfolios comprising reputable and thriving organizations. As the economy gains further momentum, our growth potential will be fully realized.



Revenue of Mainland China Portfolio



Segmental Analysis of Mainland China Investment Properties

For the year ended December 31

| | Rental Revenue (HK\$ Million) | | Occupancy Rate (at year-end)(%) | |
|-------------------------------------|----------------------------------|-------|------------------------------------|------|
| | 2017 | 2016 | 2017 | 2016 |
| Mall | 3,085 | 3,079 | 84% | 83% |
| Office | 1,130 | 1,187 | 86% | 78% |
| Residential and Serviced Apartments | 157 | 161 | 86% | 92% |
| Total | 4,372 | 4,427 | 85% | 82% |



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Brief on Properties

Plaza 66, Shanghai

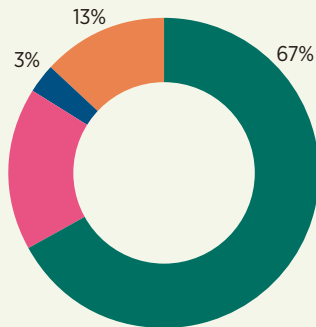


Plaza 66 is located on 1266 Nanjing Xi Lu in Jing'an District, the most prominent commercial area in Shanghai. Positioned as a "Home to Luxury", the five-story shopping mall features over 100 prestigious luxury brands from around the world, including Louis Vuitton, Hermès, Chanel, Dior, Prada, Bottega Veneta, Cartier and more, with the continuous introduction of youthful fashion labels like Golden Goose Deluxe Brand and Chiara Ferragni, as well as fine dining options.

The two prestigious Grade-A Office Towers 1 and 2, which soar to 66 and 48 floors respectively, attract prominent local and multinational corporations, information technology companies and fashion labels as tenants.

Commercial Segment Distribution (by Leased Floor Area)

- Fashion & Accessories
- Food & Beverage
- Lifestyle & Entertainment
- Others



Key Statistics

| | | |
|--|-------------------------------------|---------|
| Gross floor area (sq.m.) | Commercial | 53,700 |
| | Office | 159,555 |
| | Residential and Serviced Apartments | N/A |
| Number of car parking spaces | | 804 |
| Occupancy rate (at year-end) | Commercial | 96% |
| | Office | 89% |
| | Residential and Serviced Apartments | N/A |
| Number of shopping mall tenants | | 124 |

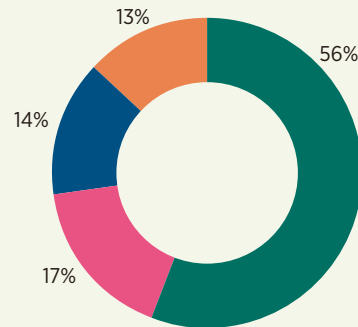
Grand Gateway 66, Shanghai



Located atop the metro station of Xujiahui, Grand Gateway 66 showcases over 260 popular brands. The complex's shopping mall has become home to a range of top labels like Bottega Veneta, Chaumet, Gucci, Jimmy Choo, Loewe, Tiffany & Co.

The complex's Office Tower houses numerous world-class corporations listed on Fortune Global 500, while the high-end serviced apartments offering more than 600 suites with a luxurious array of private clubhouse facilities have long been the residential choice for expatriate executives in global enterprises.

Commercial Segment Distribution (by Leased Floor Area)



| | | |
|--|-------------------------------------|---------|
| Gross floor area (sq.m.) | Commercial | 120,188 |
| | Office | 67,200 |
| | Residential and Serviced Apartments | 83,200 |
| Number of car parking spaces | | 835 |
| Occupancy rate (at year-end) | Commercial | 77% |
| | Office | 90% |
| | Residential and Serviced Apartments | 86% |
| Number of shopping mall tenants | | 266 |

Palace 66, Shenyang



Situated on the renowned Zhongjie Lu in Shenhe District — the financial hub of Shenyang — Palace 66 comprises about 200 local and international brands that span across fashion, leisure & entertainment, beauty & cosmetics, food & beverage and more.

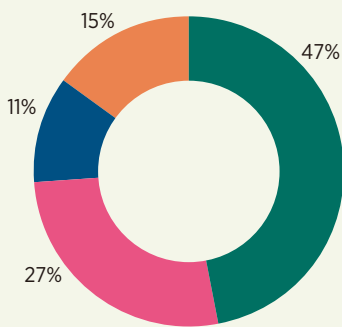
Forum 66, Shenyang



Forum 66 complex is located on 1 Qingnian Da Jie, the “Golden Corridor” at the core of the commercial district in Shenyang. In addition to globally acclaimed labels like Chanel, Chloé, Christian Louboutin, Tory Burch and Valentino, its shopping mall also houses a cosmetics specialty store, boutique supermarket, upscale cinema, global cuisine options and lifestyle services.

Towering 88 stories above the ground, the complex’s office tower has numerous multinational corporation tenants under its belt, while a 5-star Conrad hotel slated to open in 2019 will occupy the top 19 floors with 315 deluxe rooms and suites, as well as a wide range of international banquet, business and leisure facilities.

Commercial Segment Distribution (by Leased Floor Area)



109,307

N/A

N/A

864

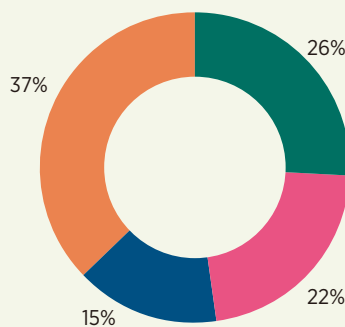
90%

N/A

N/A

210

Commercial Segment Distribution (by Leased Floor Area)



101,960

144,677 (excluded hotel)

N/A

2,139

83%

80% (low- and mid-zones)

N/A

119



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Brief on Properties

Parc 66, Jinan



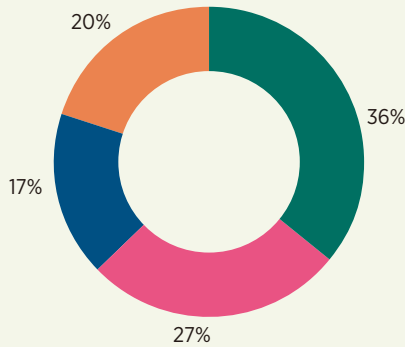
Located on Quancheng Lu, the “Golden Street” at the core of Jinan, Parc 66 is a stone’s throw away from numerous tourist attractions. Catering to the diverse shopping, dining, entertainment and leisure needs of customers, the shopping mall offers over 300 stores of various genres, including global luxury, chic fashion, children’s education and amusement, upscale cinema, boutique supermarket and international gourmet.

Center 66, Wuxi

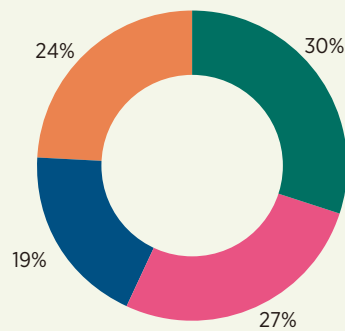


Center 66 is located at the intersection of Zhongshan Lu and Renmin Zhong Lu in Liangxi District, the most prosperous commercial district in downtown Wuxi. With indoor pathways to metro lines 1 and 2, its shopping mall features over 270 quality retail stores with a line-up of global luxury labels, while its 52-story Office Tower is the prime choice for multinational enterprises to set up branches in the city, with UBS, Shiseido, Huawei, AIA Group and China Minsheng Bank as some of its most esteemed tenants.

Commercial Segment Distribution (by Leased Floor Area)



Commercial Segment Distribution (by Leased Floor Area)



- Fashion & Accessories
- Food & Beverage
- Lifestyle & Entertainment
- Others

Key Statistics

| | | |
|--|-------------------------------------|---------|
| Gross floor area (sq.m.) | Commercial | 171,074 |
| | Office | N/A |
| | Residential and Serviced Apartments | N/A |
| Number of car parking spaces | | 789 |
| Occupancy rate (at year-end) | Commercial | 94% |
| | Office | N/A |
| | Residential and Serviced Apartments | N/A |
| Number of shopping mall tenants | | 327 |

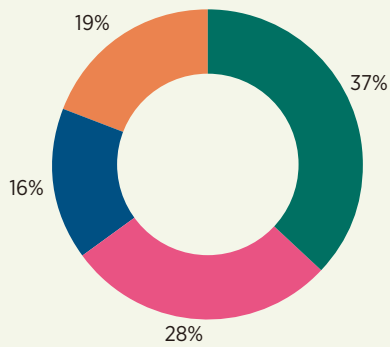
| | | |
|--|-------------------------------------|---------|
| Gross floor area (sq.m.) | Commercial | 118,066 |
| | Office | 85,438 |
| | Residential and Serviced Apartments | N/A |
| Number of car parking spaces | | 1,292 |
| Occupancy rate (at year-end) | Commercial | 87% |
| | Office | 87% |
| | Residential and Serviced Apartments | N/A |
| Number of shopping mall tenants | | 186 |

Riverside 66, Tianjin



In close proximity to Haihe Central Business District, Riverside 66 is sited at the crossroads of Heping Lu and Binjiang Dao, the two “golden” commercial streets of Tianjin. In addition to over 300 international and local brands that offer a full-fledged modern consumer experience of shopping, dining, leisure and entertainment, the project introduces the Sun-Bright International Cineplex, Tianjin’s very first concept cinema that offers a total of 576 seats in a number of themed houses, with the largest house boasting a capacity of 127.

Commercial Segment Distribution (by Leased Floor Area)



152,831

N/A

N/A

800

89%

N/A

N/A

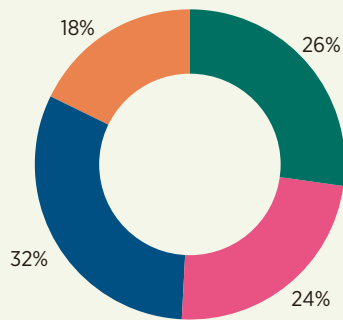
265

Olympia 66, Dalian



Olympia 66 is situated on 66 Wusi Lu in Xigang District, the commercial hub of Dalian. The project features prestigious local and international labels of fashion and accessories, jewelry & watches, beauty and digital products, as well as a stunning array of global culinary delights, advanced international entertainment and leisure facilities, a dynamic family zone and an innovative range of sports sites. The mall also has an ice-skating rink and Dalian’s first Palace cinema, providing 10 houses and 1,600 seats.

Commercial Segment Distribution (by Leased Floor Area)



221,900

N/A

N/A

1,214

71%

N/A

N/A

280



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Plaza 66, Shanghai

Shopping Mall

The post-renovation performance of the shopping mall in the year under review was very positive and according to plan. Double digit growth was recorded in total sales, footfall, and rental revenue. Much of the mall's asset enhancement initiative was completed in January. This included the reopening of the fully connected B1 level. The debut of new brands, the arrival of expanded flagship stores, the upgraded food & beverage outlets and the opening of the new VIC Lounge (The Lounge) in September set the stage for the mall's unprecedented progress on all fronts. Apart from enjoying the patronage of high spending customers, the Lounge will also generate revenue when it is commissioned by brands for their product launches and member-exclusive events.

Defining moments and events throughout the year put the spotlight on the mall, drawing visitors from the city and far beyond, which led up to the dazzling "Home to Luxury" party held in September. At the heart of the mall's success is a renewed emphasis on service excellence and an enhanced experience for both customers and tenants. In terms of tenant mix, the mall continues to attract the world's finest brands in the luxury category, in parallel with their own strategy of appealing to a new generation of customers. To support the expansion of brands and nurture new arrivals, pop-up stores were a welcome and refreshing feature during the year, which saw entries such as Moynat, Alaia and Chaumet. The lifestyle and beauty mix grew in quality and variety with the addition of premium hair salon Trevor Sorbie and barber shop Truefitt & Hill. New restaurants such as Exquisite Bocuse, Takagi and Taste Paradise were immediately well received. Among the elite brands, Dior took the opportunity to upgrade and expand its range and depth at the mall.

Office Tower

Leasing demand for office space was primarily driven by the expansion of large multinational and leading domestic corporations. Despite the current need for companies to decentralize their back office operations, and the tightening of controls over the private equity industry, the limited supply of prime office space in the Jing'an District where Plaza 66 is located is the main reason why it remains one of the most prestigious locations for companies headquartered in Shanghai. During the year under review, one of the largest users, KPMG, completed its expansion and relocation from Office Tower 1 to Office Tower 2. A major new



tenant, Everbright Securities, one of the top financial institutions in China, took up six floors, over 10,000 square meters, at the end of 2017. The move will reinforce the trade mix of the two Office Towers with a focus on financial institutions, luxury retailers, and professional services, contributing to a stable stream of rental income in the long run.

With the completion of major upgrading works to the lobby, elevators, common facilities and open spaces of Office Tower 1 during the year, followed by similar work for Office Tower 2 in early 2018, Plaza 66 is well positioned as a modern and timeless corporate destination.

Grand Gateway 66, Shanghai

Shopping Mall

With the closure of 23% of Grand Gateway 66's leasable floor area for renovation of the annex building and part of the main mall in end 2017, the mall has experienced lower traffic and sales turnover during the year. Overall rental income fell by 9% owing to the renovation. However, if the annex building is taken out of the equation, rental income for the rest of the mall saw a rise of 7% with steady sales figures.

Two anchor tenants, a supermarket and a cinema, will complete their upgrading work and will reopen in the second quarter of 2018. The annex building, filled with more lifestyle concepts and contemporary fashion brands, is targeted to open in the final quarter of 2018.

Looking ahead, the growth in demand for luxury and high-end brands is likely to continue as the millennial generation enters the market. Grand Gateway 66 is well positioned for this development with its current enhancement exercise.

Office Tower

Overall demand has remained steady amid an influx of new supply in peripheral areas. The occupancy rate dropped briefly in mid-year due to tenant relocation. However, the vacated space was refilled with the recruitment of two prominent multinational corporations, Mitsubishi Chemical and Gymboree, and a variety of quality domestic tenants. The year saw upgrading and renovation works to the office building lobby, standard floors and elevators, all proceeding on schedule for completion in the second quarter of 2018.





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It is anticipated that with the completion of the upgrading of office hardware, the performance of the Grand Gateway 66 Office Tower will regain momentum in 2018.

Serviced Apartments

We continue to upgrade the hardware of serviced apartments including the outdoor children's amusement park and the clubhouse kitchen. Residents' participating rates for different interest classes and festive activities have been on the rise, which contributed to the consistently steady occupancy and rental yields amid the noise and distraction of construction activities taking place in the neighborhood and the mall's own renovation program. In addition, the launch of the Room Management System has brought additional convenience to residents including booking for function rooms, SMS notifications, and a check-in/out function that saves time for residents while also recording their preferences for personalized service.

Palace 66, Shenyang

The oversupply of commercial properties in Shenyang continued during the year under review and is likely to persist in the coming year with new malls coming on stream. Despite this situation, Palace 66 achieved outstanding results with a rental revenue increase of 9%, total sales at the mall inching up 8%, and footfall up 4%. A degree of stability was achieved in the tenant mix and retention by the fourth quarter after some earlier volatility. The year saw the entry of GODIVA, INXX, NIKE KICKS LOUNGE, Superdry and Thomas Sabo. The rebalancing of the tenant portfolio is ongoing to meet the challenging market conditions, with reputable brands acquired to fit the evolving needs of customers.

Forum 66, Shenyang

Shopping Mall

Against a backdrop of an underperforming economy in Shenyang as a whole, Forum 66 has focused on an alleviation program, improving occupancy rates and expanding tenant mix to form a stable foundation for future growth. Major tenants on Level 1, including Chanel and Cartier, were successfully retained with new leases. The revamp of Level 3 of the mall had a significant impact on occupancy rates as well as the footfall of affluent young families.

Looking ahead, increases in Office Tower tenants will lift demand for food & beverage outlets. The retail tenant mix will continue to be fine-tuned with the addition of more domestic and foreign designer brands and fuller utilization of public areas for pop-up stores and other events.

Office Tower

With most of the lettable space in the low to mid zones already leased out, the performance of the Office Tower was satisfactory. The rental revenue increase was attributable to existing tenants' expansion and promising new acquisitions. Multinational corporations and high profile domestic tenants accounted for 62% of the leasable area in the low and mid zones. Among the distinguished names relocating to Forum 66 were ABB, Deloitte, PwC, Schaeffler, Dentons, and Siemens, contributing to an optimized tenant mix that reinforced the Office Tower's position as Shenyang's premium business address.

The six floors in the high zone of the Office Tower will be available for leasing by mid-2018. By that time, the already well-established portfolio of tenants coupled with the location advantage and the high quality of our hardware and services will provide a good foundation for leasing activities and the recruitment of more high value tenants.





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Parc 66, Jinan

Having positioned itself as the first choice in Jinan for well-respected brands, Parc 66 posted moderate growth in the year under review. The mall has been able to consolidate its position and enhance its tenant mix to cater more effectively to the needs of customers. Among new food & beverage outlets were Häagen-Dazs, Nanjing Impressions, and Xibei You Mian Cun. The range of retail options was further diversified with the addition of brands such as adidas Running, Columbia, D Harry, Mi, Meitu and Pure Cotton. The mall was able to fill all vacancies on Level 1 East by creating an exclusive contemporary luxury zone that is unique in Jinan, energized with brands such as COS, Furla, Maje, Sandro, Theory, Y-3, Thomas Sabo, and Tranoi. On top of the additions, existing tenants expressed confidence in the prospects of the market by expanding or upgrading their presence at Parc 66, all taking advantage of the mall's position as a magnet for the young and fashionable.

In 2018, the mall will continue with its refinement of tenant mix. Lease expiries in 2018 provide an opportunity to re-evaluate the breadth of the mall's offerings, with the potential to transition from commonplace food & beverage outlets to more exclusive and contemporary brands.

Center 66, Wuxi

Shopping Mall

The Wuxi market has produced mixed influences on the retail business with an increase in property prices providing an impetus for higher spending power, particularly for luxury goods, and yet a lowering of average retail rentals due to an oversupply of shop space in retail malls and department stores. However, due to its unique positioning, Center 66 has been able to take advantage of the positive factors. The shopping mall demonstrated moderate growth with occupancy rates reaching 87% at the end of 2017 and a 16% increase in retail sales. Supporting the growth has been the introduction of more tenant variety including more food & beverage choices and the addition of new concept and experience stores, a 2,200 square meters premium fitness center Impulse, sports fashion brands such as ASICS, adidas, Nike, and PUMA. The effect has been a shopping ambience that has improved customer experience and increased not only footfall but the time spent by patrons at the mall.



With steady improvement expected in local economic conditions over the coming year, Center 66 is positioned to reap the benefits of the prudent management of its tenant portfolio and facilities. The confirmed addition of luxury grade cinema Premiere to the retail podium of Office Tower 2 will further boost growth with massively increased traffic, coupled with continued efforts to further refine tenant mix.

Office Tower

With the leading position as the landmark in Wuxi, the Office Tower is well received by the multinational corporations and renowned domestic enterprises. Demand from professional services and insurance and financial sectors is the main driving force contributing to the growth in occupancy and optimization of tenant mix. Over 40% of tenants are multinational corporations and various quality names such as AIA, China Minsheng Bank, China Guangfa Bank, Lenovo, KONE, and Grant Thornton were recruited in 2017. This provides a solid foundation for further growth in the coming year.





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Riverside 66, Tianjin

The situation at Riverside 66 is influenced by the proximity of two competitor complexes. However, a diversified portfolio of tenants has enabled Riverside 66 to attract customers who are looking for more than daily necessities. In order to refine the tenant mix to cater to younger customers, 43 tenants were replaced and 60 new brands were introduced. The soft opening of the movie theater in December has provided an additional draw for traffic.

Riverside 66 will maintain its focus on striking the right balance in its trade mix by acquiring more leisure and lifestyle tenants, children's education centers, electronics flagships and contemporary luxury labels. As a first step in enhancing customer experience, in the second quarter of 2018, the car parking system at Riverside 66 will undergo a substantial upgrade with the installation of a new paperless system which will allow cashless payments and GPS location of parked vehicles.

Olympia 66, Dalian

The prevailing economic climate in the city has cast the shadow of negative growth on all areas of business. In the commercial leasing sector, the sluggish economy has dented the confidence of major international brands in establishing a retail presence in the city. This situation has limited Olympia 66's growth momentum. During the year, tenant mix at the mall was still undergoing adjustment with the addition of new lifestyle and food & beverage offerings, which had a beneficial impact on business. In the short term, brand migration opportunities remain a possibility and attention will be focused on reviewing existing food & beverage tenants. The mall will strengthen its collaboration with existing tenants and seek third party collaboration for events and promotions. These steps will further raise the profile of the mall and consolidate its position in the market so that as the economy in the province improves, Olympia 66 will be in a preferential position to attract international brands.

