



VICE CHAIR'S NOTES



Adriel Chan
Vice Chair

2023 was yet another unusual year.

The first four months showed extremely strong growth, which then began to taper in mid-May. The second half of the year saw continued tapering, ultimately resulting in this year's low single-digit growth in Hong Kong Dollar terms. With such strong headwinds, especially in Shanghai, our performance was carried by the Company's luxury properties outside that city. This validates the long-term strategy that our Chair, Mr. Ronnie C. Chan, and former Managing Director, Mr. Nelson Yuen, put into motion in the mid-2000's.

I am appreciative of the work of our team, led by our CEO, Mr. Weber Lo, which was able to deliver growth despite a volatile (and, ultimately, weak) environment. Since 2019, I dare say we have become somewhat used to uncertainty and volatility, so Hang Lung now considers this the "new normal," to which we are aligning our people, structure, and systems.

As our Chair has already commented on our earnings, allow me to mention our primary capital expenditures, namely over HK\$5 billion that we spent on construction projects this past year.

We completed the first of three towers at Wuhan's Heartland Residences in 2023, although sales have been regrettably slow. The city's measures to stimulate the real estate market have primarily benefited projects with residential-titled land grants (whereas ours has a commercial title). It may take some time and more stimuli for the effects to trickle down to our market. The two remaining towers are fully constructed but not yet fitted out. We will observe the pace of sales to help decide when to begin those internal fit-outs.

We also made significant progress on Westlake 66 in Hangzhou. The mall's superstructure is nearly complete, and all six towers are well on their way to going up. 2024 will see the height of construction on this project, and the team is working intensively to ensure we can open the mall and several of the office towers in early 2025. With that target in mind, pre-leasing has already begun, and I am pleased to report that there is strong interest from our key luxury partners.

With our current pace of work, the Grand Hyatt Kunming hotel at Spring City 66 should be ready for opening by June 2024, with the serviced apartments due to finish several months later. Our two serviced apartment towers and Curio Hotel in Wuxi Center 66 are topped out and progressing well.

Our upgrade of Parc 66 in Jinan is actually ahead of schedule, and should be completed by the end of 2024 instead of in early 2025, as previously expected. I highly recommend that shareholders and customers visit this location — it will be our third proven delivery of an Asset Enhancement Initiative (AEI) in mainland China. Very few developers have a track record of delivering successful AEIs on the Mainland, and it is a testament to our ability to execute, our long-term commitment, and our confidence in the market.

Last but not least, our Hong Kong projects are making good progress, with the imminent completion of The Aperture apartments for sale and several recent government approvals relating to our Shouson Hill luxury residential project. In short, construction is continuing smoothly, and I am keen for our customers and stakeholders to come and experience the outstanding projects that we have built.

This pursuit of excellence in project management extends to our approach to sustainability, for which we were recognized with more than 35 awards in 2023. Our commitment to sustainability continues to underpin our efforts as we invest in environmental, employee, and community initiatives. The MSCI ESG rating for Hang Lung Properties was upgraded from 'A' to 'AA' during the year. Embracing new green technologies, such as our collaboration with CLEANCO2 to reduce embodied carbon at Westlake 66, exemplifies Hang Lung's dedication to decarbonizing our business. The scholarship partnership we introduced with the Ebenezer School & Home for the Visually Impaired reinforces our support for the holistic development of exceptional students. Furthermore, we teamed up with a green startup and an NGO to promote circularity during the rejuvenation of Hang Lung's Hong Kong offices, demonstrating our commitment to investing in wellbeing and sustainability. 2023 also saw the inaugural graduating class of the Hang Lung Future Women Leaders program. Around 180 female university students from 23 provinces and cities across the nation participated in the leadership training and mentorship program, of which 75% of them were the first generation in their families to attend university.

By now, you will have undoubtedly heard of the succession plan that is in place for me to take over the Chair role after our Annual General Meeting on April 26, 2024. As our Chair has noted, this was a carefully planned process, and for all practical purposes, there was not a single element of uncertainty. Transitions are generally a time to exercise caution, both as a business operator and as a shareholder. Against the current geopolitical and economic backdrop, there is even more reason to be cautious. However, the nature and state of our business are strong, stable, and predictable enough that neither investors nor any other stakeholders should have reason for any additional concern.

I would also like to take this opportunity to express not only my thanks but my utmost respect for our outgoing Chair, my father, Ronnie, for the incredible business he has built over the past 33 years. Of course, the results speak for themselves, and the numbers don't lie. We have increased both our balance sheet and our P&L many times over since he took the reins, and the durability and diversity (geographic and categoric) of our income are perhaps second to none in

our chosen market. However, it is not just this that I have come to appreciate. Over my dozen years in the Company, working with all levels of colleagues, from hygiene staff and security guards all the way up to our CEO and the Board, I have witnessed the depth of respect that our Chair commands, the culture of integrity that he has built, and the impeccable reputation that the Company enjoys as a result. Without this, Hang Lung could not possibly be where it is today. I recognize that these qualities are built over decades, not months or years, so I must develop them rather than exploit them.

As I have said in the weeks since the announcement, I do not foresee any imminent changes to our strategy or our execution. The team has worked tirelessly to reach today's state, executing the vision laid out by our Chair and then Managing Director in the early 2000's. Having spent over 13 years in the Company, I have, along with multiple CEOs, reviewed and critiqued our strategy on a regular basis, and each time, we have reached the same conclusion – that this was the correct path for the Company at that point. We will continue this self-critique method going forward, and if one day we realize that our strategy needs to change to fit the times, we will cross that bridge when we come to it. However, I believe that would be an early realization, and we would be well-equipped to do so.

I hope you have enjoyed following Hang Lung for the 64 years we have existed and the 52 years we have been listed. It is also my hope that you will continue to join us for the ride in the decades to come. If today is anything to go by, it will be an exciting start to this next chapter, but rest assured that Management will do everything we can to make sure that it is, at the same time, as uneventful as it can be.

Adriel Chan

Vice Chair

Hong Kong, January 30, 2024