

Chair's Letter to Shareholders



Adriel Chan
Chair

It has been an eventful 2025, so there is no shortage of topics to discuss this year. I will pick the few that I feel are the most consequential to address in more detail.

In the second half of 2025, our Chinese Mainland portfolio continued to improve, showing strong retail sales growth led by the non-luxury segment. This encouraging trend builds on the first half of the year, which primarily saw a narrowing of the sales decline from the year before. As a result, we have now experienced five consecutive quarters of positive retail sales momentum. Some investors have asked when this will translate more noticeably into rental revenue, to which I responded that we have spent the last few years building up our base rents in order to be more resilient, purposely foregoing some of the less stable sales rents. As such, higher retail sales will not fully translate into higher rentals in the short term. In fact, management takes a conservative short- and medium-term view, believing it would be wiser to maintain a more defensive posture for longer, preferring more downside protection in lieu of some upside potential.

I am pleased to report that foot traffic across our malls also remains high, maintaining the strong numbers from the first half of 2025. Taken together with the retail sales trend mentioned above, this would be considered a very strong signal in any other market; however, I remain cautious for several reasons: Firstly, our performance appears to contradict the broadly held concerns of a slow economy. Secondly, I still see significant risks to business, from geopolitics and macroeconomics to technology, namely AI, and regulation. As an owner and operator of a long-cycle, asset-heavy business, I am keenly aware that even a single risk in any of these areas could significantly impact our business, let alone a combination of them. Accordingly, our corporate priorities remain unchanged to improve durable recurring revenues, reduce leverage, manage costs, and build a resilient and efficient organization.

After our 2025 interim results, we announced two more significant Version 3 (V.3) initiatives: one in Shanghai and one in Wuxi. As a reminder, Hang Lung V.3 is our asset-light business line that builds on our existing asset-heavy investments in the Chinese Mainland. These V.3 projects will materially increase our presence in some of our core cities and have a lasting impact on our future business.

I outlined the major reasons for undertaking V.3 in my interim letter, but will summarize them here for convenience and completeness.

Hang Lung V.1 was our founder and my late grandfather, Mr. Chan Tseng-hsi's, model of primarily residential build-for-sale (development properties) in Hong Kong. V.2 was the vision of our Honorary Chair, my father, Mr. Ronnie Chan, to expand into — and later shift our focus to — high-end retail and commercial build-for-lease (investment properties) in the Chinese Mainland. V.3, announced last year, is the addition of highly specific and strategic asset-light projects in cities where we already operate, in order to strengthen our existing owned assets while simultaneously leveraging them to operate newly leased assets.

Since V.3 mostly includes assets that Hang Lung will operate under long-term leases, it allows us to generate more revenue with significantly lower capex costs and much shorter timelines, meaning it will be accretive to our return profile. Notably, though, these new assets are mostly non-luxury properties, so the average rental rates will likely be lower than those of our existing assets, which is an intentional choice. One critique of our existing malls has been that insufficient

space and attention have been given to non-luxury brands and, broadly, “placemaking.” In response, we have invested time and effort in improving our non-luxury offerings (restaurants, cafes, athleisure, entertainment, and services), as well as our marketing and promotional activities. Ultimately, having a compelling non-luxury offering is also attractive to our luxury customers, and so we will increase such offerings through these V.3 platforms. In a way, V.3 can be equated with concurrently scaling up our placemaking endeavors and increasing our leasable floor area.

Other notable milestones included the achievement of our 25 x 25 Sustainability Targets, along with better-than-ever sustainability ratings from external assessors. We also issued a white paper on whether — and, if so, how — Hang Lung could achieve our net zero greenhouse gas emissions goals. This white paper is groundbreaking in several ways, including its detailed bottom-up analysis, the openness with which we disclosed our gaps and challenges, and the overall rigor of our approach to this exercise. It has achieved wide recognition in sustainability circles, and I am proud of the results and the message it sends.

With the completion of our 25 x 25 Sustainability Targets, we shift our focus to our 2030 targets, which mark the next milestone on our net zero journey. Further details are available in our sustainability report, which is published alongside to our financial report.

Looking ahead, the Year of the Horse will celebrate several important developments. We look forward to opening our Hangzhou project, Westlake 66, beginning in the second quarter with the mall and several of the attached office towers leading the way, followed by the Mandarin Oriental Hangzhou in 2027. We also expect to open our “urban park” concept at Forum 66 in Shenyang in the second half of 2026. This is a public space featuring sports, entertainment, and event



Center 66, Wuxi



facilities, and pop-up retail on the ground floor of our future serviced-apartment site. It is immediately adjacent to our mall and office tower, and will bring additional foot traffic, community space, and energy to the project. Plaza 66 in Shanghai will open its Pavilion Extension in the second half of 2026, marking its second significant enhancement in a decade — you may remember that we unveiled the fully renovated mall in September 2017. We will also open an upgraded VIC lounge and improved rooftop to accommodate more guests and to increase usable space shortly thereafter.

In Wuxi, we have already started pre-sales for Center Residences, located immediately to the south of our existing project, for which the response has been good. As of December 31, 2025, we have received commitments for 53 out of 573 units. This phase also houses Xi Zhe Wuxi, Curio Collection by Hilton — our 105-key boutique hotel operated by Hilton Worldwide under their Curio brand. With the opening slated for the second quarter of 2026, this marks the full completion of our initial vision for the Center 66 mixed-use site in Wuxi. Coupled with our newly announced V.3 project adjacent to the complex, timing has been impeccable. The former department store site, which has sat mostly vacant for over a decade, should be handed over to us in 2028, after which we will work full speed on the transformation and hope to open it within a year or two from then. Each and every addition and enhancement is expected to improve the performance, desirability, and defensibility of our properties, and we welcome stakeholders to come see them in person.

Beyond operations, in mid-December 2025, we also announced the upcoming retirement of our CEO, Mr. Weber Lo. While this news came as a surprise to many, it was less so to the Board, as Weber first shared his intentions with me in January 2025, and we have been making preparations since then. Although we do not have any announcements to make at this time, suffice it to say that machinations are well underway, and we will provide an update in due course. I will not detail Weber's long list of achievements at this juncture — that will be better saved for my next letter (or two). However, let me just express here, again, my deep appreciation for the excellence and commitment with which he has served this Company for the past eight years.

In October 2025, we announced the appointment of Mr. Andrew Weir to our Board. Capping a long and successful career at KPMG, Andrew ultimately led the firm's global real estate practice, as well as its Hong Kong office. He brings deep industry knowledge across geographies to our Board, and I look forward to his contributions.

Along with Hang Lung's strong management team, I have full confidence that we will navigate any challenges that the year may bring, and I look forward to checking in with you again in six months.

Adriel Chan

Chair

Hong Kong, January 30, 2026