Chair's Letter to Shareholders

Dear Stakeholders,

The first half of 2026 has, as a whole, seen continued broad-based performance improvements across our projects in the Chinese Mainland. However, the market is not without challenges that weigh on various sectors and geographies.

Mall foot traffic, sales, occupancy, and rentals are generally improving, with several exceptions, while office occupancy is still high despite significant pressure on pricing. Residential markets are, unfortunately, yet to emerge from the doldrums, but we remain committed to making the most of the market when opportunities present themselves.

Beginning with our primary segment — retail — the first two quarters of 2026 were markedly different. The first quarter was characterized by double-digit sales growth and record foot traffic and rentals, while the second quarter saw a distinct slowdown in retail sales, especially for luxury products. Had I been writing this letter in April, I would likely have predicted a record-breaking first half. Unfortunately, while April was still a reasonably strong month, May brought a noticeable loss of momentum, reflected in the often-cited official Chinese retail growth rate dipping into negative territory for the first time since December 2022. However, I note that this measurement was primarily dragged down by drops in automotive (namely new electric vehicle sales) and residential sales, neither of which directly reflects retail consumption in the mall environment. Of particular importance is that the steep decline in car sales was driven largely by the Chinese government's reduction and partial discontinuation of electric vehicle subsidies, which began in January. The subsidies are expected to be completely phased out by December 31 this year. Although our sales numbers did not turn negative, they also dipped in May. Thankfully, sales returned to a healthier level in June, and we expect our full-year performance to be positive.

The mall sector in the Chinese Mainland continues to be broadly oversaturated. While a subset of well-positioned malls continues to perform, a growing number are being left behind. In every city in which we operate, we observe multiple closures and an abundance of "zombie" malls — properties that remain open but very few operating stores inside. Many have entirely closed their upper floors, with some lights, air conditioning, and escalators turned off. This polarization reflects a consumer shift toward fewer, higher-quality destinations, accelerating the decline of malls that fail to meet rising expectations.

This is the result of a number of factors, the main ones being:

1) Consumers now have significantly more options for how and where to spend their free time than before: the rapidly growing range of leisure, sports, and entertainment options beyond shopping has diverted attention away from malls. (At the same time, this has proven to be a boon for some brands, namely those who supply the clothing, accessories, and equipment for these activities.)

2) Due to the above, the large stock of existing mall space, combined with competition between retailers and from other channels, has driven consumer expectations for retail environments dramatically higher. What was once considered good design, cleanliness, and customer experience is no longer sufficient, and mall operators have been forced to invest in enhancements or risk being overtaken by newer, more compelling retail spaces.

3) Consumer sentiment is still negative, hovering around 90 points, which is below the neutral 100-point level and well below the pre-pandemic level of around 125 points. These figures, from the National Bureau of Statistics of China's Consumer Confidence Index (CCCI), are at least still above the low of 85.5, measured in November 2022.

Meanwhile, for our Hong Kong portfolio, we are encouraged to see that the retail sales trend has finally moved into positive territory, up 3% year on year. Although I do not anticipate any immediate catalysts for a sudden, strong retail recovery, I am happy enough to close this chapter of nearly seven years of sluggish retail sales. To be sure, it will be many years until we return to the 2018 peak, but with the team's active efforts and our resilient portfolio, I expect we should see stability and growth in the years to come. Our continued tenant and space upgrades across our properties, in particular in Causeway Bay and The Peak, should bear fruit in the coming months.

Our Mainland office portfolio faced similar conditions, but they manifested slightly differently. Supply of office towers (and therefore competition) is extremely high in almost all of our cities, pushing prices to new lows. Thankfully, our strategy of building only top-quality international Grade-A office towers in prime locations (and atop our high-end malls, to boot) has given us a wide moat and defensibility against the competition. We are always at the top of the food chain, so to speak, which means that we can always attract tenants and maintain occupancy, even if we are pressured to reduce prices. However, competitors with lower quality office hardware or software, or those in off-center locations, are more likely to suffer from both low occupancy and low rents. Therefore, even though office revenue numbers are not particularly encouraging, our specific position remains strong.

Hong Kong offices are, thankfully, another bright spot in our portfolio. The expansion of financial services, the influx of family offices, and related services have helped write the recovery story, which began in Central last year and is now starting to lift other office districts. We have experienced a 1% rise in office receipts, which is commensurate with the market.

The most important milestone for Hang Lung since my last letter has been the opening of our Westlake 66 project in Hangzhou, which welcomed its first customers on April 28. It is no exaggeration to say that this has been our best new mall opening yet. Strong opening tenancies (even without luxury brands), consistently high foot and car traffic, continued social media buzz, and, of course, healthy sales and rental numbers, are all signals of the mall's success. As of June 30, the mall was 89% occupied, and by year-end, that number will rise to about 100%. The opening of additional areas, including two historic buildings immediately outside the mall and a new connection to the subway system to our north, will give the project continued momentum over the next six to nine months. Most malls are able to attract traffic on opening day or during opening month, but the real test is these metrics over time. I am encouraged by what we have delivered so far, and confident that I will be able to report back with equal optimism in six months' time and again a year from now.

Although not all our office space in the project is available for lease yet, using the total eventual available area, we are currently at 13% occupancy and hope to reach about 50% by the end of the year. This represents a healthy uptake in any market, but is especially notable under current conditions. Of course, it must be said that the strong performance of the mall and offices alike also reflects the dynamism of Hangzhou and again highlights the importance of choosing the right cities in which to invest.

The relative lack of luxury brands at opening has been noticeable, given our reputation and history of partnerships with these brands. However, I am pleased to report that several luxury names will open at Westlake 66 later this year, and that we are working closely with other leading brands to secure further openings. The mall's success to date will undoubtedly bolster our position in future negotiations. Combined with the additional office towers and Mandarin Oriental Hangzhou, which are due to open later this year and in early 2027, respectively, we have already cemented our position as a Hangzhou landmark. However, more important to our long-term success than the presence of luxury brands is the design and utilization of the space. Of course, shop layouts are important, but even more directly relevant to consumers are the public spaces we provide. Westlake 66's rooftop garden, *The Oasis*, provides pop-up retailers, restaurants, and customers with a beautifully landscaped and truly compelling outdoor space, great for al fresco dining, unique shopping environments, and the simple luxury of being able to touch grass. *The Oasis* links the mall, office towers, and Mandarin Oriental together, providing a dynamic, engaging space for shoppers, browsers, workers, and travelers to mingle.

While Westlake 66 represents the last greenfield project in our existing pipeline, I am excited to report that our "V.3" expansion projects are moving along steadily as well. In Shanghai, the Plaza 66 Pavilion will open later this year, welcoming 27 new brands over an additional 4,300 square meters of leasable space. Shortly after that, we will open our new, larger VIC lounge, as well as a completely reimagined rooftop. Together, these additions and enhancements mark a meaningful and important upgrade to our flagship, just in time for the project's 25th anniversary. For our new asset-light projects, all relevant joint venture agreements are now in place, and we are set to take possession of all three projects, namely Westlake 66 Expansion, Center 66 Expansion, and No. 1038 West Nanjing Road Commercial Project, in 2027–2028. If things go well as planned, we expect to see our first dollar back in 2028 — a significantly shorter return timeline than in our traditional asset-heavy projects.

<August 7 addendum>

We announced on July 31 — along with our interim results — that we had identified our next CEO, followed by the announcement on August 7 that our current CEO, Mr. Weber LO, would retire on September 30, after a three-week transitional overlap with the incoming CEO. I am delighted to announce that Mr. Leo TSOI has been selected by the Boards to lead Hang Lung into its next chapter.

This marks the end of a nearly eight-and-a-half-year tenure for Weber, and I want to express my profound thanks for all he has achieved during this time. A lesser CEO might have been content simply to survive the multi-year barrage we faced over this period. For us, this “new normal” of abnormalities began with the 2019 riots in Hong Kong, followed immediately by more than three years of extraordinary disruption caused by Covid. The post-Covid V-shaped (for us, but otherwise more broadly K-shaped) recovery in 2021–22 gave way to the “Covid hangover” in the Mainland in 2022–23. In 2024, Weber helped ensure that Hang Lung’s Chair transition went smoothly, even against the backdrop of the irrational characterization of Mainland and Hong Kong markets as “uninvestable.” Partly as a result of that perception, the same year also saw our lowest share price since 2000. Last year brought another US-led global trade war, and now in 2026, the world has witnessed the start of yet another serious regional war with huge global implications. All of these have had significant knock-on effects on our operations, share price, and access to finance, but Weber and the team managed them very ably. In fact, we have not only weathered these challenges, but I would go so far as to say we have thrived. As an organization, our people are more energized and dynamic than ever; we have the highest-performing and most engaged team in our history, and I truly believe we are as well-positioned for the future as we could be — thanks to Weber.

While I am naturally sad that Weber has decided to step down, I am more excited for the future because of the legacy that he leaves. On behalf of the Company, I extend a deep and heartfelt *thank you, Weber*. May your future endeavors all be measured against your achievements at Hang Lung!

Adriel Chan
Chair
Hong Kong, July 31, 2026