

# Hong Kong Property Leasing

Against a backdrop of slower economic growth and sliding retail sales, the performance of our leasing properties in Hong Kong was resilient. Revenue and operating profit in Hong Kong rose 5% and 7% to HK\$3,899 million and HK\$3,315 million, respectively. Overall rental margin was 85%.

Revenue of the Hong Kong commercial portfolio advanced 9% to HK\$2,275 million as the benefits of asset enhancement initiatives continued to flow through. Overall occupancy was 96% by the end of 2016.

Revenue of the entire Hong Kong office portfolio increased 3% to HK\$1,336 million attributable to positive rental reversions.

Rental income of residential and serviced apartments decreased 8% to HK\$288 million due to lower occupancy rates.

## REVENUE OF HONG KONG PORTFOLIO



The performance of our commercial leasing portfolio is set against the backdrop of declining tourist arrivals which, though the numbers stabilized as the year progressed, nonetheless affected retail sales, particularly in fashion and high-end jewelry and watches. Retailer sentiment has been cautious and international brands have retreated or rationalized their operations, making the leasing environment disadvantageous for lease renewals and new lettings.

Office leasing has also been impacted by the conservative approach taken by office occupiers such as budget tightening measures and increased cost sensitivity, which have had a direct impact on demand in the sector. There is also a spill-over effect on residential leasing.

## GEOGRAPHICAL ANALYSIS OF HONG KONG INVESTMENT PROPERTIES

At December 31

	Total Gross Floor Area* ('000 sq.m.)	
	2016	2015
<b>Hong Kong Island</b>		
Central	51	51
Causeway Bay and Wan Chai	92	92
Kornhill and Quarry Bay	135	135
The Peak and Mid-Levels	46	46
Hong Kong South	12	12
<b>Kowloon</b>		
Mongkok	140	140
Tsim Sha Tsui and West Kowloon	86	86
Ngau Tau Kok	78	78
Cheung Sha Wan, Kwai Chung, Tsuen Wan and Tuen Mun	97	97
<b>Total</b>	<b>737</b>	<b>737</b>

## SEGMENTAL ANALYSIS OF HONG KONG INVESTMENT PROPERTIES

For the year ended December 31

	Rental Revenue (HK\$ Million)		Occupancy Rate (at year-end)(%)	
	2016	2015	2016	2015
Commercial	2,275	2,092	96%	98%
Office and Industrial/Office	1,336	1,299	92%	95%
Residential and Serviced Apartments	288	314	76%	75%
<b>Total</b>	<b>3,899</b>	<b>3,705</b>	<b>91%</b>	<b>94%</b>

\* Including gross floor area of car parks





**BRIEF ON MAJOR PROPERTIES**

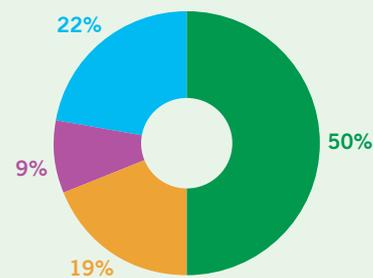
**FASHION WALK**

Causeway Bay



In a unique fusion of indoor and outdoor elements at the heart of Causeway Bay and encompassing four vibrant streets – Great George, Paterson, Kingston and Cleveland – Fashion Walk is the superlative shopping destination, offering the latest trends in fashion, gastronomy and lifestyle in a magnificent setting. In addition, Fashion Walk features an exciting collection of restaurants with al fresco and indoor seating.

**Commercial Segment Distribution (by Leased Floor Area)**



- Fashion & Accessories
- Food & Beverage
- Leisure & Entertainment
- Bank
- Department Store
- Others

**Key Statistics**

<b>Gross floor area (sq.m.)</b>	Commercial	31,072
	Office	N/A
	Residential and Serviced Apartments	7,935
<b>Number of car parking spaces</b>		N/A
<b>Occupancy rate (at year-end)</b>	Commercial	100%
	Office	N/A
	Residential and Serviced Apartments	87%
<b>Number of shopping mall tenants</b>		79

**HANG LUNG CENTRE**

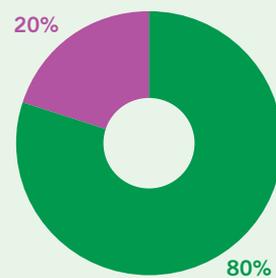
Causeway Bay



Conveniently located in the heart of Causeway Bay, Hang Lung Centre is a retail and commercial complex with key retail and semi-retail offerings in travel, fashion wholesale and medical services. The opening of H&M's first and largest global flagship store in Asia in 2015 injects new energy and boosts the shopping ambience.

Expansion of the travel zone creates a comfortable environment for customers obtaining travel information and shopping for travel products.

**Commercial Segment Distribution (by Leased Floor Area)**



<b>Gross floor area (sq.m.)</b>	Commercial	8,777
	Office	22,131
	Residential and Serviced Apartments	N/A
<b>Number of car parking spaces</b>		126
<b>Occupancy rate (at year-end)</b>	Commercial	100%
	Office	91%
	Residential and Serviced Apartments	N/A
<b>Number of shopping mall tenants</b>		3

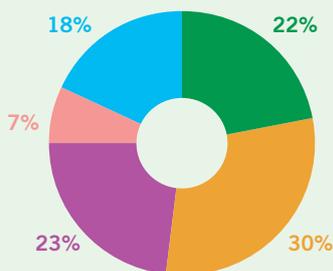
## THE PEAK GALLERIA

The Peak



Located at Hong Kong's top visitor attraction, The Peak Galleria is a shopping and dining complex. It not only features a full array of local and international specialty stores, restaurants and a 3D illusion art museum but also a host of environmentally friendly facilities. Its Observation Deck at Green Terrace on L3, offering the stunning panoramic view of Victoria Harbor and the Pok Fu Lam Reservoir, is a must-visit place.

### Commercial Segment Distribution (by Leased Floor Area)



12,446

N/A

N/A

493

81%

N/A

N/A

41

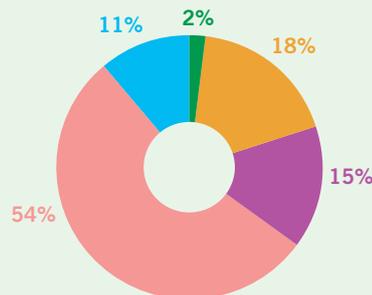
## KORNHILL PLAZA

Quarry Bay



Conveniently located on top of the MTR Taikoo Station, Kornhill Plaza is one of the most popular shopping hubs on East Hong Kong Island. The commercial complex houses a quality lifestyle shopping arcade, department store, serviced apartments with superior management and services, an office tower and the Kornhill Learnscape education center.

### Commercial Segment Distribution (by Leased Floor Area)



53,080

10,577

35,275

1,069

100%

98%

65%

112





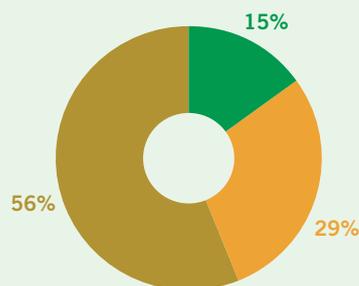
## BRIEF ON MAJOR PROPERTIES

### STANDARD CHARTERED BANK BUILDING Central



Home to Hang Lung's headquarters, the Standard Chartered Bank Building is a prestigious Grade A commercial tower in Central district. It is also the home of the first digital branch of Standard Chartered Bank, the luxury fashion brand Escada and the high-end Chinese restaurant Mott 32.

#### Commercial Segment Distribution (by Leased Floor Area)



- Fashion & Accessories
- Food & Beverage
- Leisure & Entertainment
- Bank
- Department Store
- Others

#### Key Statistics

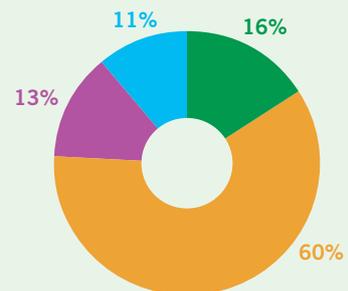
<b>Gross floor area (sq.m.)</b>	Commercial	4,814
	Office	23,730
	Residential and Serviced Apartments	N/A
<b>Number of car parking spaces</b>		16
<b>Occupancy rate (at year-end)</b>	Commercial	100%
	Office	100%
	Residential and Serviced Apartments	N/A
<b>Number of shopping mall tenants</b>		3

### GRAND PLAZA Mongkok



Located on bustling Nathan Road next to the MTR Mongkok Station, Grand Plaza comprises two office towers and a commercial podium with high-standard facilities. It houses renowned watch and jewelry brands, many fashion brands and restaurants targeting both locals and tourists, as well as beauty and medical centers.

#### Commercial Segment Distribution (by Leased Floor Area)



<b>Gross floor area (sq.m.)</b>	Commercial	20,905
	Office	31,251
	Residential and Serviced Apartments	N/A
<b>Number of car parking spaces</b>		40
<b>Occupancy rate (at year-end)</b>	Commercial	69%
	Office	90%
	Residential and Serviced Apartments	N/A
<b>Number of shopping mall tenants</b>		26

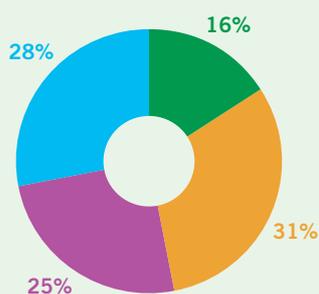
## AMOY PLAZA

Ngau Tau Kok



Conveniently located near the MTR Kowloon Bay Station, Amoy Plaza is an integrated mall in Kowloon East, comprising stores offering trendy fashions, beauty products and electronic gadgets. Together with more than 35 restaurants serving local and international cuisines, the mall offers a full selection of lifestyle experiences for nearby office workers and residents of Amoy Gardens.

### Commercial Segment Distribution (by Leased Floor Area)



49,006

N/A

N/A

620

97%

N/A

N/A

252

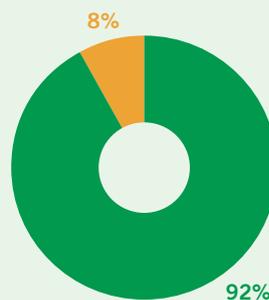
## GALA PLACE & PARK-IN COMMERCIAL CENTRE

Mongkok



Located in the vibrant Mongkok district, Gala Place houses the largest single-story Starbucks in Hong Kong, spanning over 4,500 square feet, as well as the triple-story H&M full-concept flagship store, the largest H&M store in Kowloon, and has become a hotspot for the trendy and fashionable. Park-In Commercial Centre houses a potpourri of diversified services and products including outdoor gear, chic fashion, skincare and cosmetics, lifestyle products, audio and digital gadgets, as well as beauty and fitness centers. Park-In Commercial Centre Carpark offers nearly 500 parking spaces, providing a convenient, one-stop shopping experience for its customers.

### Commercial Segment Distribution (by Leased Floor Area)



7,454

30,205

N/A

478

100%

85%

N/A

2





## FASHION WALK

Spanning four dynamic streets in the heart of Causeway Bay, Fashion Walk has, through its recent renovation, re-established itself as a one-of-a-kind community providing a rich source of creative inspiration for fashion and living with style. With a multitude of the world's leading designer labels, and a diverse line-up of exciting food and retail options, the Fashion Walk neighborhood has become more sophisticated, with a vibe of its own that never ceases to energize and inspire. Through the year in review, Fashion Walk has enhanced customer experience with the addition of an impressive array of cutting edge brands including Fjallraven, Sandro, Maje, Y's, ZUCCa and Reebok, along with a new adidas flagship store. The grand opening of Lady M New York in Fashion Walk's adjacent al fresco dining hub has further enhanced Food Street's reputation as the premier choice for fashionable refreshment.

Pop-up stores have been leveraged throughout the year to provide exciting new twists to our retail mix and stimulate public interest in trending concepts and merchandise. Participants include Chanel's ROUGE COCO ON TOUR world music tour, Moët & Chandon's Ice Imperial Pop Up Lounge, Baume & Mercier's Capeland Shelby Cobra Pop-up Store, Kiehl's Nature Mix Market, and Maxim's Mooncake Pop-up Store.

Year-round marketing events are launched to engage and delight our customers. Fashion Walk deservedly gained global recognition with prestigious awards such as a bronze Cannes Lion, the ICSC Awards, and the Marketing Events Awards. These honors have solidified Fashion Walk's stature as the leading destination for fashion and lifestyle shopping in the territory, and further strengthened its brand value.



Fashion Walk has re-established itself as a one-of-a-kind community providing a rich source of creative inspiration for fashion and living with style

## CENTRAL PORTFOLIO

Comprising the Standard Chartered Bank Building, 1 Duddell Street, Printing House, and Baskerville House, our Central office portfolio has continued to deliver stable rental growth during the year in review.

## THE PEAK GALLERIA

The Peak Galleria achieved an occupancy rate of 100% in the first half of 2016. This was a considerable feat in the challenging retail environment associated with the drop in tourist arrivals and at a time when the mall is preparing for a comprehensive, phased renovation program commencing in the 1<sup>st</sup> quarter of 2017.



Fashion Walk's adjacent al fresco dining hub has further enhanced Food Street's reputation as the premier choice for fashionable refreshment





## KORNHILL PLAZA

The mall's satisfactory performance for the year under review is largely based on a tenant mix that is ideally suited to the property's location. The general retail downtrend has had a lesser impact on consumer goods, groceries, and everyday food outlets. The tenant mix for Kornhill Plaza underwent a significant upgrade exercise in 2016, with the addition of 23 new retail brands and six restaurants.

Of the new introductions, eight are making their debut in the Hong Kong East district. The mall also features a new beauty section with the debut of the 10,000-square-foot Glam Beautique. Anchor tenant AEON department store completed a total upgrade of its facilities and in July 2016 launched the first AEON STYLE lifestyle department store outside Japan. Another major remodeling saw the upgrade of the existing ParknShop supermarket to the more upscale brand, Fusion. A further upgrade is underway at the MCL cinema, which is expected to reopen in April 2017 under the premium brand, Grand Kornhill Cinema, complete with Hong Kong's first MX4D technology-enabled movie experience.

Supporting the mall's positive growth during the year under review has been a program of marketing events and activities including the Paul Frank X KP Chinese New Year event, which included themed decorations, pop-up stores, and the redemption of New Year red packets.

Leveraging on this success, the team intends to develop a unique signature event for the mall in the coming year to boost brand image and engage the public with the mall's diverse tenant offerings.



Kornhill Plaza has undergone a significant upgrade exercise in 2016



Plans are also underway for the promotion of food and beverage brands within the mall through a series of O2O programs to engage fans with offers of dining coupons. The tenant mix will undergo further refinement in the coming year, with five to six restaurants expected to open their doors during 2017, including ClubONE, a renowned restaurant focusing on wedding banquets and event catering. These, together with a focus on kids' lifestyle retail and services, will provide a basis for sustained growth opportunities for Kornhill Plaza in 2017.



Pop-up features and marketing events at our Mongkok portfolio drive footfall and income, as well as bringing increased excitement to the district



## MONGKOK PORTFOLIO – SHOPPING MALL

The development of a beauty hub at Grand Plaza and improvements made to advertising signage to improve the shopping ambiance helped to drive sales revenue. Meanwhile, the transformation of the second floor of the mall from retail shops to a diverse range of food and beverage outlets not only broadened our food offering and established Grand Plaza as a fashionable dining destination, but also helped to draw more traffic to the mall's upper zone.

The synergy between the properties in our Mongkok portfolio also amplified brand visibility as international labels established a succession of new flagship and concept stores at Grand Plaza, Gala Place, and Hollywood Plaza. The opening of H&M at Gala Place and Sixty8ight at Hollywood Plaza has demonstrated this bonding effect. Hence we not only strengthened our position as a fashion retail hub but also provided a much needed engine for rental growth. These advances made in the course of 2016 set a firm foundation for sustained growth in the coming year.





## Hong Kong Property Leasing

Branding the area as the place Where We Meet Trends will create opportunities for cross-mall synergy as well as talking points that will boost footfall. Strengthening tenant engagement, our teams intend to work with our brand partners to create more limited edition products and promote a “flagship hopping” concept to attract footfall from target segments of the community. These measures will establish Hang Lung’s Mongkok portfolio as the preferred social hub among young adults.

After completion of the asset enhancement, we groomed Gala Place as a renowned place of happenings during the year. Events such as pop-up features and marketing activities drove footfall and income, as well as bringing increased excitement to the district. Later in the year, the craft beer festival and Halloween party generated a buzz in the media with encouraging coverage in both local and international media. Although the general economic climate presents further challenges, we shall sustain our growth trajectory with the team’s focus on presenting more pop-up features in the coming year to continue the coordinated campaign to draw customers.

### MONGKOK PORTFOLIO – OFFICE TOWERS

The general economic climate inevitably subdued the performance at the office towers with a reduced occupancy rate and shrinking demand. To increase our competitive edge and enhance the customer and tenant experience, enhancement and upgrading works have been undertaken to renovate the common areas. In addition, the trade mix has also been enhanced and broadened to recruit more diversified trade floors in the office portfolio.

In order to enhance the pull factors to retain existing tenants and to attract quality new ones, we are pioneering the roll-out of complimentary IT supporting services to most of our office towers in 2016. Such value-added service for our office tenants is very well received, with most common IT problems such as internet disconnection, printing job failures and email transmission problems now solved by our frontline staff.



The value-added IT supporting service is well-received by our office tenants



Growth at Amoy Plaza has been supported by local consumption along with effective marketing campaigns and an enhanced tenant mix



## AMOY PLAZA

Satisfactory growth of 5.1% was recorded at Amoy Plaza despite economic headwinds. Growth at the mall has been supported by local consumption from the Kowloon Bay business district and the local residential areas, along with effective marketing campaigns and an enhanced tenant mix.

Amoy Plaza has undertaken a tenant mix reshuffle including the introduction of Tai Hing Group's three-in-one concept store (comprising Tai Hing, Teawood, and Trusty Congree King), Aroi Thai, and other new restaurants that have achieved higher sales turnover.

In the retail sector, fashion brands Ray-Ban and Skechers opened their first Hong Kong concept stores at the mall, and the consolidation of the mall's Healthcare and Beauty and Leisure and Lifestyle zones has seen the addition of new high-profile brands such as Fortress, CD Warehouse, and Joint Publishing.

In terms of enhancing our physical capacities, small shop lots have been combined into larger ones to attract chain stores which can help to provide a more stable rental revenue stream. In light of the potential addition of a footbridge from the East Kowloon Culture Centre to Amoy Plaza, feasibility studies have been initiated to assess possible equipment and utilities upgrades.

Whilst the coming year presents its challenges, Amoy Plaza is in an excellent position to maintain its position in the market as an attractive one-stop shopping, dining, entertainment, and lifestyle hub servicing the Kowloon East district with over 250 retail outlets and more than 40 specialty restaurants. We are targeting a further upgrading of our food and beverage offering along with the addition of a new cinema operator.

With the maturing of Kowloon Bay as a commercial and business hub and the future new development of the East Kowloon Cultural Centre (expected to be completed in 2020), the district is projected to flourish with Amoy Plaza at its center.

