



The portfolio was set to recover as market sentiment continued to improve amid the stabilizing COVID-19 situation throughout much of 2021 and launch of the government's Consumption Voucher Scheme in Hong Kong, coupled with our efforts in enhancing the tenant mix tailored for local consumers' needs, and the launch of our CRM program to deepen engagement with customers and tenants.

Market Landscape

The retail leasing market continued to improve with the COVID-19 pandemic under control throughout much of 2021 until concerns over the recent Omicron outbreak, the government's Consumption Voucher Scheme boosting consumer spending, and various business marketing campaigns energizing the retail market.

The economy continued to gain traction during the year, with unemployment figures falling to 3.9%. Figures released by the Census and Statistics Department showed that total retail sales value grew by 8.1% in 2021 over 2020.

There were some slight changes to consumer behavior as a result of COVID-19 and the travel restrictions in place, with local consumers favoring unique

experiences, outdoor activities, and special offers and discounts. This indicates the importance of the continued focus of CRM programs among mall operators to attract and retain customers.

The recovery of the retail leasing market is highly dependent on whether the recent fifth wave of the COVID-19 pandemic can be put under control, and when the Hong Kong-mainland China border will re-open.

A mild correction is still expected across Grade A office rents during 2022, adding to pressure on commercial landlords as competition for tenants heats up amid rising vacancy rates and increased commercial space becoming available in the peripheral districts.

Hong Kong Property Leasing Continued to Demonstrate Resilience

Tenant Sales



Retail

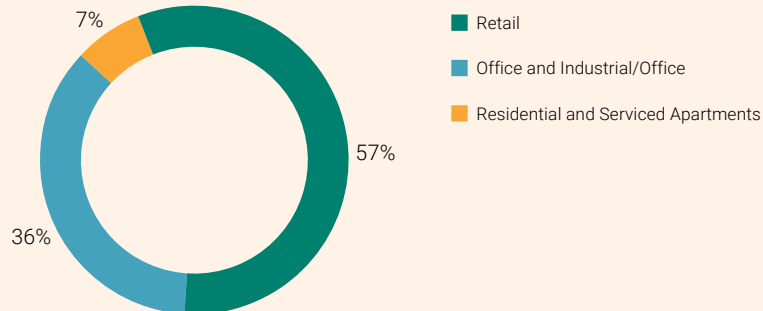


Office and Industrial/Office



All occupancy rates stated therein were as of December 31, 2021

Distribution of Revenue of Our Hong Kong Property Leasing Portfolio in 2021



Business Overview

Shopping malls in our Hong Kong portfolio enjoyed high occupancy rates, with many sitting at 100% throughout the year thanks to the management teams' well-thought-out leasing strategies. The unique tenant mix within the properties was a key strategy for development, as the diverse range of shops coupled with mid- to high-end food and beverage outlets helped draw in consumers.

The tourist-centric mall Peak Galleria also noticed a slight increase in traffic with our e-shopping coupons, which attracted more locals visiting the mall. To capture this growing market, the teams have been changing their tenant mix to attract more local shoppers while waiting for travel restrictions to ease.

The "hello Hang Lung Malls Rewards Program" and the Hang Lung Malls App were launched in 2021, enabling over 100,000 members to earn unlimited points and redeem them for attractive gifts or enjoy personalized shopping experiences in one centralized location. During the second half of 2021, the "Go Shopping! Rewards Program" was successfully launched through the Hang Lung Malls App, stimulating both tenant sales and footfall within the malls.

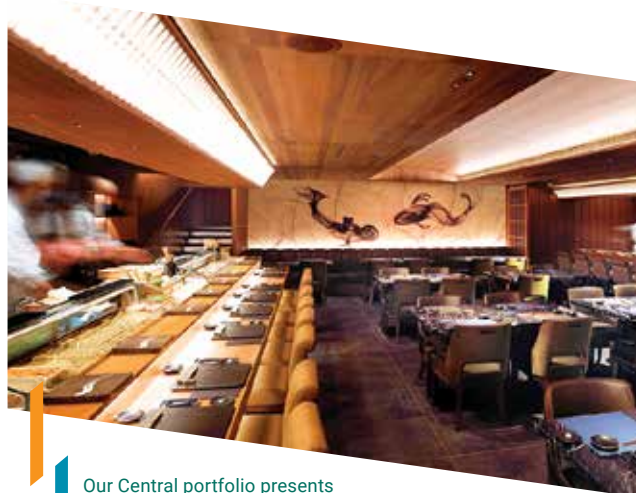
Causeway Bay Portfolio

Despite unfavorable market conditions with border restrictions and social distancing measures in place, Fashion Walk was able to maintain 100% occupancy at the end of 2021. A strong line-up of tenants in fashion, beauty, and lifestyle was introduced to this distinctive shopping destination during the reporting year. New Balance debuted its GREY concept in Hong Kong – the third in the world after Tokyo and Beijing – and Guerlain opened a special concept store featuring rotational themes year-round.

The portfolio of exclusive fashion and lifestyle shops was bolstered by additions from AIGLE, Initial Gentlemen, O.N.S kapok, Vivienne Tam, German Pool, and at.home, while the dining offering was strengthened by the opening of Ramen House Hototogisu, and Studio City by Cali-Mex. The additions of high-end and trendy collectibles shops, including Hot Toys Echo Base and AMAZ By Lokianno further added to the diverse variety of stores that appeals to our customers.



Pop-ups and concept stores are constantly reenergizing Fashion Walk in Causeway Bay



Our Central portfolio presents customers with a selection of premium and exceptional dining outlets

Looking ahead, efforts will be made to enhance the blend of tenants with a focus on global fashion, beauty, and trendy street fashion trades. Occupancy at the nearby Hang Lung Centre remained stable in 2021 despite major segments of our tenant mix hit hard by the pandemic, including fashion wholesalers and travel agencies. We will persist in capturing more tenants in medical, beauty, and lifestyle segments, which are more resilient against challenging economic situations.

Central Portfolio

The Central portfolio comprises four office buildings – Standard Chartered Bank Building, 1 Duddell Street, Printing House, and Baskerville House – and continued to attract excellent tenants from the finance and professional service sectors.

The overall retail and office leasing performance remained solid, with high occupancy rates amid ongoing COVID-19 impacts and market uncertainty. On the retail leasing side, the fine-dining offerings at the Central portfolio, which features renowned establishments such as Mott 32, Duddell's, SUSHI SASE and Wolfgang's SteakHouse, were further enhanced with the additions of ODDS, a Japanese

restaurant offering sushi and teppanyaki, and ESTRO, an Italian restaurant opened by Michelin-star chef Antimo Maria Merone. For the office leasing side, despite some downsizing decisions in the fourth quarter of 2021, efforts have been paid to diversify the office sizes and offer more refurbished units or subdivided office spaces to accommodate the change in market demand.

Peak Galleria

Despite the plunge in international tourist arrivals due to the COVID-19 pandemic and the suspension of the Peak Tram service during the reporting year, Peak Galleria managed to boost its footfall and occupancy rate by introducing the new-to-Hong Kong experiential location GO@PEAK GALLERIA, which features innovative exhibitions and performances, as well as quality brands such as Imperial Patisserie and Dafu. The introduction of The Barkyard, which features a swimming pool for pets and grooming facilities, coupled with the existing line-up of amenities and services, further strengthens the attractiveness of Peak Galleria to local pet lovers.



The new-to-Hong Kong experiential location GO@PEAK GALLERIA has revitalized the mall's appeal to local visitors



The continued enhancement in the tenant mix at Kornhill Plaza has captured the interest of nearby residents and office workers

With tourist arrivals remaining subdued, Peak Galleria will continue to focus on creating a unique destination and introducing more lifestyle brands and experiential trades, including outlets focusing on lifestyle and wellness, while preparing for the return of tourists.

Kornhill Plaza and Kornhill Apartments

Our community stronghold, Kornhill Plaza, continued to serve nearby residents and office workers, maintaining high occupancy rates with rental income staying at a similar level to the previous year. The largest Japanese department store in Hong Kong, AEON STYLE, continued to perform well, and FRESH – a new supermarket concept which opened in January 2021 – received a positive response from nearby residents. During the reporting year, the dining offerings were further enhanced with the additions of Japanese restaurants Gyu-Kaku, Yaki ANA, and Zou Qing, which serves Cantonese noodles, congee, and dim sum. During 2022, there will be a focus on strengthening the fashion and accessories categories by introducing small but trendy local brands, delivering a unique shopping experience to those who visit.

The office tower and serviced apartments at Kornhill Plaza maintained their occupancy rates, achieving similar levels to the previous year. The serviced apartments continued to be hit hard by COVID-19, with tight border controls still being enforced, reducing demand from expatriates. However, the “hello Hang Lung Malls Rewards Program” proved effective in boosting occupancy of the serviced apartments by offering loyalty privileges to Hang Lung retail shoppers.

The office tower will continue to diversify its mix of education providers during 2022. STEM and action-driven learning workshops will meet the different learning needs of customers, further enhancing the tower's position as an education hub within the community. The demand for serviced apartments will depend on the COVID-19 situation and the opening schedule of the Hong Kong-Mainland border. The flexible pricing strategy will continue while focusing on customer-centricity to improve occupancy.

Review of Operations Hong Kong Property Leasing



Several new sports specialty stores in our Mongkok portfolio have met growing demand among locals for outdoor activity equipment



Amoy Plaza's refinement of its tenant mix to enrich the customer experience includes the crossover grocery concept TASTE X FRESH

Mongkok Portfolio

Our lifestyle malls in Mongkok – Gala Place and Grand Plaza – continued to solidify the area's position as the place "Where Trends Meet".

Gala Place achieved 100% occupancy amid adversity in 2021, with the Foot Locker Power Store and the mega lifestyle concept store AEON STYLE officially opening in February and August 2021, respectively. The latter features high-quality products directly imported from Japan and is home to several popular lifestyle brands, including the homeware brand HOME COORDY. The basement of Gala Place was transformed into a brand-new 15,000-square-foot dining floor, where the existing Starbucks Reserve™ Coffee Experience Bar was joined by a number of dining outlets, including the popular yakiniku restaurant, Yakiniku Like, the new concept store Coucou Hotpot • Tea Break with its tea and beverage brand Coucou • TeaMiTea. A new popular café concept, The Alchemist Coffee, opened in Grand Plaza in November 2021, further enriching the dining offerings in our Mongkok portfolio.

To increase footfall and stabilize occupancy rates, the shopping centers are looking to recruit more popular restaurants to replace underperforming food and beverage tenants. Efforts will also be made to promote the "hello Hang Lung Malls Rewards Program" to further enhance customer loyalty.

The office towers in Grand Plaza continue to be a popular destination for leading operators in the medical and beauty sectors. Several medical groups expanded in 2021 on top of several encouraging new lets, bolstering the tower's position as a premium healthcare services hub in Mongkok. The portfolio of exclusive outdoor and lifestyle shops in Mongkok was also strengthened by additions from Backpacker and Ball Head, and expansions by Cam2, Supreme Co., and more. Looking ahead, efforts will be made to widen semi-retail trades with the introductions of more tenants in the medical and beauty segments to enhance the resilience of the office leasing business.

Amoy Plaza

A one-stop community hub in Kowloon Bay, Amoy Plaza strives to look after the diversified community interests and needs of the burgeoning district of Kowloon East. It is home to extensive casual dining options and pragmatic business trades, including groceries, education, and entertainment. The first-in-Hong Kong crossover groceries concept, TASTE X FRESH, was launched in August 2021, combining the finest supermarket and fresh market offerings. Dining options were further enriched with the introduction of the popular Chiuchow concept Yum Yum Goose, the first-in-Hong Kong all-day casual dining location Wing Wah All-Day, the authentic yakiniku bowl concept Gyu-Kaku Jinan-Bou, plus others. The traffic to the mall is expected to surge with DON DON DONKI opening in January 2022 and the expected opening of the nearby East Kowloon Cultural Centre in 2023.



New Project Under Development

228 Electric Road Redevelopment in North Point

In collaboration with our subsidiary, Hang Lung Properties, 228 Electric Road* in North Point is being redeveloped into a Grade A office tower with a retail area on the podium floors. Superstructure works are in progress and the project is scheduled for completion in late 2022.

Location

228 Electric Road, IL 1618, North Point

Total gross floor area

9,754 square meters

Main usage

Office, Retail

Expected year of completion

2022

* This provisional number is subject to confirmation when the building is completed