

Our core leasing properties in Hong Kong were adversely affected by the COVID-19 pandemic in 2020.

Market Landscape

Rents in Hong Kong's shopping malls and office towers were further pressured in 2020 as the fallout from the COVID-19 pandemic added to the challenges of an economy that had already been tipped into recession by the social unrest of 2019 and the impact of the China-U.S. trade dispute. Government measures to control the spread of the virus kept people at home and led to a collapse in tourist arrivals, subduing consumer spending and pushing unemployment to a 16-year high. Hong Kong's total retail sales plunged by 24.3%* year-on-year in value for 2020 and appeals for rent relief were widespread among consumer-focused businesses, adding to pressure on commercial landlords as competition for tenants heated up amid rising vacancy rates.

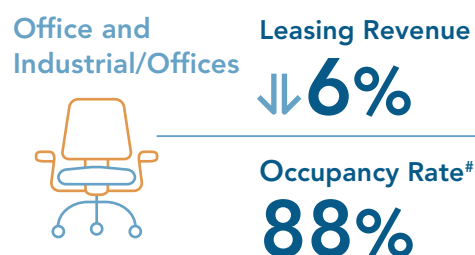
Business Overview

In 2020, rental income dropped, with our shopping malls in Causeway Bay and Mongkok especially hard hit by a plunge in tourism that also took its toll on our

serviced apartments. New leases and renewals were mostly concluded at lower rates, while rent relief was granted to tenants such as restaurants, cinemas, education centers, gyms, and beauty parlors that were impacted by government-imposed social distancing measures. Community malls Kornhill Plaza and Amoy Plaza proved the most resilient of the retail-focused properties, and the four office towers in Central district delivered another solid performance. Peak Galleria managed to increase its occupancy as efforts to refine its tenant mix paid off and pet-friendly amenities were introduced. The Hong Kong portfolio's revenue and retail sales are likely to take significantly longer than that of the Mainland portfolio to recover. The targeted launch of a new CRM program in the first quarter of 2021 will help strengthen customer loyalty and engagement, while tenant mix enhancement to better serve the needs of the local community is underway.

*Source: Census and Statistics Department

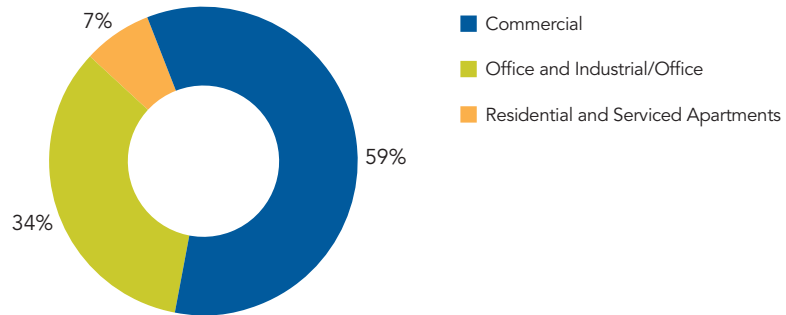
**Year-on-Year
Change in
Our Hong Kong
Leasing Revenue
and Occupancy
Rate**



All occupancy rates stated therein were as of December 31, 2020



Distribution of Revenue of Our Hong Kong Property Leasing Portfolio in 2020



Fashion Walk

Featuring over 100 highly sought-after global brands and forward labels including more than 40 flagship and experience stores, Fashion Walk strengthened its line-up of fashionable retail, dining and entertainment outlets in the heart of Causeway Bay in 2020. A special perfume store by LE LABO from New York and FANCL flagship enhanced the beauty offering, complemented

by openings of Handsome Factory Barber Shop and a new concept by leading hair salon group IL COLPO. The portfolio of exclusive fashion and lifestyle shops was bolstered by additions from DURAS, DELStore, kapok, OKURA, and Sweaty Betty, while the offering for foodies was improved by the introduction of The Alchemist Café, Urban Coffee Roaster, Moo Moo Plus, SAKE SAN and Japanese style dessert brand Saori Pancake. As at the end of 2020, Fashion Walk's



Fashion Walk enriched its line-up of fashionable retail, dining and entertainment outlets in the heart of Causeway Bay in 2020

REVIEW OF OPERATIONS HONG KONG PROPERTY LEASING



Despite the negative impact of COVID-19, the leasing performance of our Central portfolio remained solid in 2020

occupancy declined by four points to 93% as the COVID-19 pandemic dealt a blow to spending and footfall in the area. Looking ahead, it is envisaged that the new CRM program targeted to be launched in the first quarter of 2021 will help draw consumers and support tenants' businesses.

The nearby Hang Lung Centre, a popular destination for leading operators in the travel, fashion wholesale, and medical sectors, successfully bolstered its position as a healthcare services hub in Causeway Bay.

Central Portfolio

Our Central portfolio comprises four office buildings – Standard Chartered Bank Building, 1 Duddell Street, Printing House, and Baskerville House – and these continued to attract quality tenants from the finance and professional services sectors in 2020. Office leasing performance remained solid with high occupancy rates, although COVID-19 severely affected the properties' unique and renowned dining establishments such as Mott 32, Duddell's, and Wolfgang's Steakhouse.

Peak Galleria continues to bring in brands and concepts that offer exciting and unique experiences to shoppers. Jonetz Market by Don Don Donki, opened in December 2020, is one of the first-in-Hong Kong brands at the shopping mall



Peak Galleria

While spending at the mall was hit by the plunge in international tourist arrivals, Peak Galleria managed to boost its occupancy rate by luring new-to-Hong Kong brands such as Jonetz Market by Don Don Donki and enhancing its line-up of amenities and services for local pet owners. Rental income increased due to the full-year impact of its reopening in the second half of 2019, after the completion of a two-year extensive AEI. As tourist arrivals are expected to remain subdued for the foreseeable future, Peak Galleria will focus on attracting more local shoppers via pop-up stores and an improved range of outlets geared toward the pet and wellness markets.



Kornhill Plaza's mall maintained its solid performance in 2020, proving resilient amid the COVID-19 pandemic

Foot Locker Power Store landed at Gala Place in February 2021



Kornhill Plaza

Shopping Mall

Our community stronghold Kornhill Plaza serving nearby residents and office workers proved fairly resilient amid the pandemic, managing to maintain occupancy and rental income in 2020 at similar levels to the previous year. The largest Japanese department store in Hong Kong, AEON Style, continued to perform well and a new supermarket concept named FRESH has come aboard in early 2021 as a new anchor tenant. Looking ahead, more lifestyle and services brands that cater to the needs of nearby residents will be introduced, with efforts being made to refine the layout of the mall to enhance its overall competitiveness and appeal to shoppers.

Office Tower and Serviced Apartments

The office tower and serviced apartments at Kornhill Plaza were more hard hit by COVID-19, with occupancy rates declining in 2020 as the suspension of classes hurt education businesses and the slump in international travel curbed demand for accommodation. Looking ahead, the office tower will seek to strengthen its range of beauty outlets to better serve the needs of nearby office workers.

Mongkok Portfolio

Shopping Malls

Our trio of tourist-oriented lifestyle malls in Mongkok – Gala Place, Grand Plaza, and Hollywood Plaza – had a challenging year as the pandemic led to business suspension orders for outlets such as restaurants, fitness centers, and beauty salons, and stifled spending by the young trendsetters and tourists that are drawn to the area. The slump led to the closure of some stores and requests for rent concessions. To help boost business, the shopping centers are looking to diversify their tenant mix by adding food and beverage outlets and sports flagship stores that are less reliant on tourists from the Mainland.

Office Towers

Occupancy and rents came under pressure in 2020 as the collapse in tourism severely impacted travel agencies, beauty services providers faced temporary shutdowns under government directives, and social distancing restrictions hampered educational establishments. Some existing tenants down-sized, lease renewals were sought at reduced rates and with more flexible terms, and demand for new space was weak amid rising vacancy rates in the Mongkok district.

REVIEW OF OPERATIONS HONG KONG PROPERTY LEASING



Amoy Plaza introduces a huge variety of popular dining brands to maintain its appeal to nearby residents

On the other hand, medical services providers proved resilient to the downturn, and efforts had been made to attract new tenants from the sector, with two floors of Grand Plaza having been renovated in support of this. The leasing team will also be targeting other sustainable trades to win new business in 2021.

Amoy Plaza

The popular Kowloon Bay mall achieved a fairly stable occupancy rate in 2020; however, rental income showed a moderate decline as COVID-19 weakened demand for fashion, jewelry and beauty products while forcing temporary closures of dining outlets, gyms,

and services providers. Grocery shops and health stores proved to be more resilient. The mall sought to enhance its selection of affordable dining options, with Jiu Fun Full, Ging Sun Ho King of Bun, Hee Wan Café, and Nam Kee Noodles among the newly recruited food outlets that outperformed previous tenants. The upcoming opening of the East Kowloon Cultural Centre in 2022 is expected to boost footfall in the vicinity of Amoy Plaza.