For Immediate Release

Hang Lung Publishes 2018 Annual Reports Today

Chairman Ronnie C. Chan Elaborates on the Geo-Economic Impact on Company's Strategies

(Hong Kong, March 21, 2019) Hang Lung Group Limited (Stock Code: 00010) and Hang Lung Properties Limited (Stock Code: 00101) today published their Annual Reports themed "Building a Sustainable Future" for the Financial Year 2018.

Highlighting the Company's five operating strategies, this year's Annual Reports adopt the twin covers design to showcase the unique architectural and design features of our 10 world-class properties, while the respective sections in the Reports focus on the various features of our exceptional performance.

The Chairman of Hang Lung Group and Hang Lung Properties, Mr. Ronnie C. Chan, once again personally pens the Chairman's Letters to Shareholders, sharing his in-depth analysis of the industry, high-end retailers and the Company's business. Mr. Chan also examines the troubled geopolitical and geo-economic environment and reminds the market to be prepared for a prolonged period of uncertainties and difficulties.

Mr. Chan noted that although private consumption in China is indeed slowing, the rate is still respectable and it has become a more meaningful share of the domestic economic pie. Quality goods have gradually become commonplace in the many economically vibrant Mainland cities. Against this backdrop, Hang Lung malls have performed satisfactorily, not only in Shanghai but also in other cities. He elaborated that over the past few months, Hang Lung has signed or about to sign many leases with top luxury brands. Of the 30-some new contracts, two-thirds were for properties outside of Shanghai. The Company's strategic move to expand in mainland China over the years is bearing fruit.

He cited the fact that high-end retailers are expanding again in mainland China, and Hang Lung is one of the preferred landlords in Shanghai as well as in other cities. Chinese government policies to stimulate private consumption are also working, even for high-end goods, which is all favorable for our business.

Mr. Chan then talked about the inflection points that the Company faces, saying that Hang Lung will continue to undertake development projects for sale in Hong Kong, but with a targeted approach. The focus of the Company in the coming years will still be on high-end commercial properties for long-term hold. He is confident China is still a haven of relative tranquility amid a turbulent environment. Private consumption in China will continue to rise and Hang Lung's business will benefit.

For the key points of the Chairman's Letters to Shareholders in the Annual Reports of Hang Lung Properties and Hang Lung Group, please refer to the appendix.

The Financial Year 2018 Annual Reports are now available for download from the Hang Lung corporate website at www.hanglung.com

Hang Lung Group: http://www.hanglung.com/HLGAnnualReport2018/index.html

Hang Lung Properties: http://www.hanglung.com/HLPAnnualReport2018/index.html

* * *

Media contact:

Jennifer Tam	Cheung Ka Wing
Senior Manager	Senior Manager
Corporate Communications	Corporate Communications
(852) 2879 0617	(852) 2879 0360
JenniferZYTam@hanglung.com	WingKWCheung@hanglung.com

Photo Caption

Mr. Ronnie C. Chan once again penned the Chairman's Letters to Shareholders in the Hang Lung Group and Hang Lung Properties 2018 Annual Reports themed "Building a Sustainable Future".

Appendix

Key Points of Letter to Shareholders in Hang Lung Group's FY 2018 Annual Report

- For the 12 years between 2000 and 2011, private consumption (in mainland China) on average increased at almost 13% per year…In the ensuing six years of 2012 to 2017, the average annual growth slowed to a still respectable 10.4%. However, luxury goods sales were much more affected. The anti-corruption campaign in the past few years was certainly a major factor. The increase in overseas sales of such items was another. This trend only began to turn around towards the end of 2017.
- By 2013 at the latest, most if not all of these top brands froze further advancement. A good number had to cut back the number of stores in many cities. The head office grip was so tight that moving a shop from one location to a much better location at comparable rents was rejected. This condition lasted through the end of 2017 and the beginning of 2018. Sentiments now have definitely turned and they are all opening new stores again. Their sales growth in China has been brisk of late.
- Gifting involving government officials is long gone. The market has shifted into a healthier one where demand mainly comes from end users. The slow growth of the past five to six years has created pent-up demand. Since the salary rise of the target customers, especially younger professionals, has never stopped, this clientele that bought less when market sentiments were weak has now returned, and with more money to spend.
- Many top brands have told us that the average age of their shoppers in the world, including China, is getting younger. This means that they now have even more fans and potential fans. The fashion name owners are also expecting that Beijing's efforts to bring overseas sales domestic will soon bear fruit. All these factors are once again fueling the expansion plans of luxury brands.
- Expanding into tier-two cities in the mid-2000's was a necessary step for the long-term growth of the Company. We have been the "Home to Luxury" in Shanghai since the 2000's, and were expecting the same in other cities in the 2010's.
- In the next two years, we will have completed more world-class commercial space on the Mainland than at any comparable period in our history — a total of approximately 1.1 million square meters of luxury malls and office skyscrapers.
- While being quite pleased with our business and its short- to medium-term prospects, we are also taking defensive measures. This is one reason why we have decided to soon build out our not inconsequential Mainland land bank of high-end serviced apartments. These are located in Heartland 66 in Wuhan, Center 66 in Wuxi, Forum 66 in Shenyang, and Spring City 66 in Kunming. I expect a healthy cash flow as well as profits therefrom.
- In this sea of instability, China may in fact be a haven of relative tranquility. If so, then

private consumption will rise and our business will benefit therefrom. Looking around the world, I consider myself fortunate to be engaged in our business on the Mainland.

- In the more immediate term, I see gradual growth in our business for the rest of this year. The Hong Kong rental market performance should be similar to that of 2018. On the Mainland, it is quite possible that all our investment properties will do better than last year. The leap in the top line will begin next year, and the trend may last for several years. With a lag of say one to three years, the rental net profit should rise.

Key Points of Letter to Shareholders in Hang Lung Properties' FY 2018 Annual Report

- Statistics show that private consumption in China is indeed slowing. The growth rate last year was probably not much more than 8%, the most sluggish in 15 years. There are many reasons for this, including the present trade war with the U.S. and the resulting slowdown in China's GDP growth. While this is in no way detrimental to the economy, it may temporarily blunt job growth. Lack of consumer confidence will likely result.
- Our malls have performed satisfactorily, not only in Shanghai but also elsewhere.
- In the past few months, we have signed many leases with top luxury brands and more are forthcoming. Of the total of 30-some new contracts, about two-thirds are outside Shanghai… Forum 66 is expected to gain a few more top brands, while Center 66 will very soon become the "Plaza 66 of Wuxi". Spring City 66 in Kunming will be the city's "Home to Luxury" from the day it opens its doors later this year.
- This development tells us several things. First, top fashion brands are expanding again in mainland China. Second, we are one of their preferred landlords in Shanghai as well as in other key cities. Third, Beijing's recent policies to stimulate private consumption are working, even for high-end goods — perhaps particularly well for high-end goods.
- These prestigious fashion groups must have conducted careful research before deciding to expand in China. Many of them have been operating in the country for two decades or more and are therefore experienced. Most of them over-expanded in the 2000's and suffered the consequences during the bear market of 2012 to 2017…They know well the statistics that showed a weakening in personal consumption growth but are undeterred.
- There seems to be a divergence in the market place between ordinary spending and that for luxury items. While the former may be weakening, we have seen the opposite in the latter. This view is confirmed by the experience of selective high-end facilities owned by others. Like us, they are also faring well. The recent results of certain European fashion houses spoke to the same.
- While enjoying an advantageous industry environment, we do not forget that there are many worrying developments in the geopolitical and geo-economic spheres. Consequently, we constantly take precautionary measures to mitigate any possible

negative effect.

- We should all be prepared for a prolonged period of uncertainties and difficulties.
- I believe that the trade war is not only not detrimental to our industry; it may in fact help, at least in the near term. Concerned that the country's GDP growth will be adversely affected, Beijing has been taking measures to stimulate its slowing economy…All these measures will help boost consumer spending. This should be music to our ears.