



For Immediate Release

Hang Lung Publishes 2016 Annual Reports Today Ronnie C. Chan: “Properly reading history is the only way to predict the future”

(Hong Kong, March 22, 2017) Hang Lung Group Limited (HKSE Stock Code: 00010) and Hang Lung Properties Limited (HKSE Stock Code: 00101) today published their Annual Reports themed “We As One” for the Financial Year 2016.

Chairman of Hang Lung Group and Hang Lung Properties Mr. Ronnie C. Chan continued to pen his Letters to Shareholders in this year’s Annual Reports, with over 8,400 words (Chinese translations of around 14,000 words) and over 4,500 words (Chinese translation of 7,400 words) for Hang Lung Group and Hang Lung Properties, respectively. Mr. Chan analyzed in detail the transformation of the political, economic, and social environment of Hong Kong since the 1950s. Together with the ever-changing political and economic landscape in China and the world, he cited how Hang Lung has grasped opportunities in different stages in previous years to lay firm business foundations for the Company and a solid establishment in the Mainland market, enabling sustainable development into the future.

Reflecting on the recent acquisition of high-priced land by Mainland developers, Mr. Chan elaborated on how this phenomenon will affect the real estate market in Hong Kong as well as local developers.

In this year’s Annual Reports, Mr. Chan also discussed the Company’s management succession plan and his views on corporate governance. He mentioned that, under the direct supervision of the Board, the succession plan is proceeding well. Mr. Chan is full of confidence with regard to the prospects of Hang Lung, as he believes the Company has already gained a favorable market position, allowing it to grasp development opportunities and face any challenges outperforming the market.

Mr. Chan added that this year’s Letter to Shareholders is also meant for staff, with a hope that they might become better acquainted with the Company’s history and the market in which it operates. He said properly reading history is the only way to predict the future. He also wants employees to be reminded of the values and corporate culture that the Company must hold dear to in order to continue to thrive.

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 2016 Annual Reports are now available for download from the Hang Lung corporate website at www.hanglung.com

Hang Lung Group

<http://www.hanglung.com/HLGAnnualReport2016/index.html>

Hang Lung Properties

<http://www.hanglung.com/HLPAnnualReport2016/index.html>

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Photo Caption



Hang Lung Group and Hang Lung Properties publish their 2016 Annual Reports themed “We As One”.

Appendix

Key Points of Letter to Shareholders in Hang Lung Group's FY2016 Annual Report

- Just as Hong Kong's overall situation has fundamentally changed, there are also two potential game changers in our industry. The first relates to land supply and the second to the new players from the Mainland.
- Hong Kong has for decades suffered from a serious shortage of land supply. For the first time, the present HKSAR administration is doing something to change this...Unless subsequent administrations unnecessarily alter that, one day, sooner rather than later, a supply-demand equilibrium will be achieved. Thereafter, Economics 101 tells us that housing prices will soon moderate.
- Hang Lung stopped buying land in early 1994 and was ridiculed while other local players continued to drive up prices. They all learned a painful lesson when the market fell precipitously in December 1997 and January 1998. This time around, all the locals stayed away from the market. We all simply watch the Mainlanders play. They probably think we are foolish just like how others saw Hang Lung before 1997. Only time will tell.
- The bottom line does not seem to be the main consideration of these newcomers. Perhaps they have other reasons to participate in our market. One less sinister view is that today money is cheap...they bring with them a large group of potential Mainland purchasers of the completed apartments.
- This is not necessarily bad for Hong Kong in the long run. An increased number of participants should mean that high land price will remain and the government's coffers will stay full. If so, it is conceivable that our personal and/or corporate tax rates may fall further.
- I called the real estate genetics for luxury retail facilities, namely location, size, design and construction...For the past 25 years, Hang Lung was fortunate to have decided upon and adhered to this strategy...our path for now is set. We believe that our strategy when adequately executed will lead to continued shareholder value creation.
- History has shown that our leadership in the Company has been very stable...Philip has proven to be a pivotal figure in the Company's history – he has led the effort to greatly enlarge and strengthen our management team.
- To prepare ourselves for the future and with management succession in mind, your Board has invited Mr. Adriel Chan, age 34, to become an Executive Director, the position I held before becoming Chairman 26 years ago...He is capable of strategic thinking as well as operational management. Common sense, good judgment and

excellent interpersonal skills are his hallmarks.

Key Points of Letter to Shareholders in Hang Lung Properties' FY 2016 Annual Report

- The economy has been down since 2012. President Xi Jinping started the anti-corruption and anti-opulence campaigns soon after. The double effect was severe, especially for the luxury goods market...Yet, years of weak sales of such products might have created some pent-up demand.
- On the broader economy, perhaps the pessimism of late can be somewhat moderated by the fact that commodity prices everywhere have firmed up. This may indicate that manufacturing, especially in China, may have bottomed out. Moreover, for the past few years Beijing has been encouraging or even forcing the reduction of excess capacity and inventory...All this can only be good for the Chinese economy.
- From the perspective of business folk like us, we want stability and hopefully some certainty. China's present position on its currency is fine with us. It provides both certainty and stability.
- Latest official statistics show that the Chinese economy is relatively healthy. While continuing to slow which was predicted by all, the absolute growth rate by any standard is still impressive...For the longer term, however, the more sustainable source of growth must be from private consumption...The room for more retail spending in China is obviously humongous.
- The share of personal services in the total mix of retail spending is still very low in China compared to advanced economies. This percentage can only grow. Many of these services cannot be transacted online.
- In the longer term, however, there is no reason why we should not be very successful. The properties we have built are of world-class quality and are all well-located. Once we resolve the initial bugs and market conditions begin to recover, the potential of these well-built complexes will be realized.