



For Immediate Release

Hang Lung Publishes 2017 Annual Reports Today Chairman Ronnie C. Chan: Hang Lung Welcomes Another Phase of Growth

(Hong Kong, March 21, 2018) Hang Lung Group Limited (Stock Code: 00010) and Hang Lung Properties Limited (Stock Code: 00101) today published their Annual Reports themed “Strong Roots for Growth” for the Financial Year 2017.

Upholding the highest level of transparency in corporate governance, Chairman of Hang Lung Group and Hang Lung Properties, Mr. Ronnie C. Chan, once again pens his Letters to Shareholders in this year’s Annual Reports, a practice he has maintained for the past 28 years. In this year’s Letters, Mr. Chan analyzes in detail how the rise of the middle class and private consumption in mainland China have boosted its economy and become among the country’s most important economic pillars. Both have helped the economy to recover after the six-year winter. He believes that the asset enhancement initiatives coupled with the completion of new developments will significantly enlarge and improve Hang Lung’s investment portfolio on the Mainland and drive another growth phase. Mr. Chan also examines the global market conditions from multiple perspectives and reminds the market to be alert to the possibility of another global financial crisis.

Land policy and residential prices continue to be hot topics for the public in Hong Kong. Mr. Chan is confident that once land supply is back to a more reasonable level, land prices should moderate and residential price rises will one day slow down. Mr. Chan also supports land reclamation as one means to create more supply. He points out that in parts of Kowloon and especially on the east and west sides of the New Territories, much can be done without destroying the natural landscape.

Mr. Chan emphasizes the importance of maintaining Hang Lung’s transparency and accountability to shareholders. That is the reason why he pens the Letters to Shareholders twice a year to put forward the management’s key thinking and actions. He also covers topics that are of significance to Hang Lung’s business and comments on national and regional developments.

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 2017 Annual Reports are now available for download from the Hang Lung corporate website at www.hanglung.com

Hang Lung Group

<http://www.hanglung.com/HLGAnnualReport2017/index.html>

Hang Lung Properties

<http://www.hanglung.com/HLPAnnualReport2017/index.html>

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Photo Caption



Hang Lung Group and Hang Lung Properties publish their 2017 Annual Reports themed “Strong Roots for Growth”.

Appendix

Key Points of Letter to Shareholders in Hang Lung Group's FY2017 Annual Report

- In Hong Kong, the new Chief Executive Mrs. Carrie Lam took office last July 1. She is expected to continue the land policy of her predecessor, Mr. C.Y. Leung. Namely, she will do her best to procure more land for residential development.
- Once land supply is back to a more reasonable level, land prices should moderate, and this will one day slow down the rise of residential prices. When that day will arrive is hard to predict, but it should not be too long a wait.
- Few if any major metropolitan areas in the world are like Hong Kong where about 75% of our landmass is covered by vegetation. Approximately 40% of our 1,111 sq. km. is designated as country parks. Only less than 25% of our land is developed. It is reasonable to take, say, 1% to 2% of green land for residential development. Yet there are irrational voices in society that reject this view. It is plain foolishness. Land shortage is at the root of much of our community's social ills. We must strike a balance between buildable land supply and maintenance of park land. No one can have a cake and eat it too.
- Another way to create more supply is to reclaim land...in parts of Kowloon and especially on the east and west sides of the New Territories, much can be done without destroying our landscape. To be irrationally against all land reclamation, as some of our citizens have become, will only force land prices and eventually residential prices to climb.
- A key driver of China's economy will be personal consumption.
- This is the basic reason why we believe that our strategy will work very well in the years and decades to come.
- The fast formation and rising prosperity of an affluent class were and still are the main reasons for the robust sales of such products...The combination of these two forces — pent-up demand and the enlargement of potential customers — has contributed to today's remarkable climb in luxury goods sales as witnessed in some of our shopping malls.
- I cannot predict how hot our shares will become in the coming few years, but management does believe that sooner rather than later, our intrinsic value will be recognized anew by the market.

Key Points of Letter to Shareholders in Hang Lung Properties' FY 2017 Annual Report

- Retail sales continued to recover in both mainland China and Hong Kong...On the Mainland, the recovery of retail sales of luxury products is particularly strong. On a year-on-year and like-for-like basis, all our malls saw improvements...All this tells us that the six-year winter is now behind us.
- The retail environment everywhere has definitely improved which will soon favorably impact our bottom line. There is little doubt in my mind that better days are ahead.
- There are two reasons for my optimism. First, under our CEO Mr. Philip Chen, we have in the past seven years greatly transformed our management. Ours is a much better company today, and one which is more prepared to cope with the ever-changing market conditions. We will continue to make improvements.
- The second is that China's economy is undergoing desirable changes. Private consumption is fast becoming a major pillar. Not long ago it accounted for about one-third of the economy; now it is over 40%...
- We count ourselves fortunate to be operating in markets such as those of tier-one and tier-two cities in China. The country's economy is growing at 6% to 7% per annum. Middle class salaries and private consumption are both rising faster than GDP. Many citizens have only in the past decade or two become purchasers of goods beyond the basic daily necessities. This makes them motivated shoppers.
- The physical environment of tier-one and tier-two cities in China is also conducive to good business for retail shops and mall owners. Population density is inevitably high which provides a large catchment area for well-located and well-built malls. Whether through e-commerce or physical store visitation, shopping is convenient.
- I should add that like nowhere else, our properties are by far the most spectacular architecture-wise. Every shopping center of ours can rightfully be considered as quality public art. Beyond just placing say nice sculptures inside or outside the building, our entire structure, always sizable, is a design masterpiece. Not many people I believe will dispute this statement...The image thus created helps them raise the profile of their city...few will disagree that every one of them is an architectural statement.
- No one at this stage can tell, but total economic collapse is a distinct possibility...A basic element which gives rise to a potentially dangerous environment for the global economy today is the over-abundance of capital.
- Given the size and the speed of capital flow, they can wreak havoc on the entire economy. Today, financial assets with leveraging are much bigger in size than the real

economy. This was exactly how the 2007 Global Financial Crisis developed.

- I have long considered that the fundamental problem is the ever-increasing demand for more freedom in society, especially in Western societies.
- When this philosophy is applied to the already powerful capital market, it takes on the form of demanding ever-increasing market efficiency. More efficiency is better, more freedom is better, bigger is better, and faster is better — and as much as possible, operating in the absence of restraints...If the collective humankind cannot ask the sensible questions, then our financial market will sooner or later get us into big trouble. I do fear that the next crisis may be more severe than the last one of 2007, from which it may take decades to recover.
- Fortunately China seems to have a certain awareness of the danger mentioned above. As a result, it only selectively accepts certain advice from the West. For example, many pressure China to open its capital account and allow the RMB to be freely convertible, but China has so far not agreed.
- Equally it is far easier for me to believe that some Chinese policy mishaps will sooner or later hit us. My hope is that top leaders in Beijing will be able to catch their own mistakes before it is too late and immediately take corrective actions. In recent years, China has several times done exactly that, and the system usually has the flexibility to reverse course. The political will as well as operational means are so far present.
- A more immediate challenge to the Company is internal, that of management succession...All the more reason we should have a succession plan for the top few posts.
- The retail business is fast-evolving and the use of technology is nowadays prevalent. It makes sense to have more younger and tech-savvy people on the Board.
- Long-term followers of this Company know that Hang Lung is among the most transparent of companies. This is why I write letters to shareholders twice a year, the length of which is far greater than most, if not all, of my peers. While the quality of a piece is not judged exclusively by its length, few will dispute the fact that we are among the most open and forthright in our industry...I always do my best to put forward the key thinking, and not just actions, of management whenever I write, or in public meetings with analysts or the press.
- In penning this letter to shareholders once every six months, I try each time to cover one or two topics of significance to our business. This is beyond the usual reporting on performance and analyses of our business, the industry, and the economy. From time to time, I may also comment on national or regional developments that may

affect us.

- Starting from 2020 and continuing for many years thereafter, rental revenue should climb, followed by the rise in profit. Another growth phase of the Company should soon be upon us.