



CIO Office

CIO Insights

Cusson Leung, Chief Investment Officer

China Retail Roars While Data Whispers

Retail Reality Check

23 October 2025

European Luxury Company Shares Are Reflecting a China Recovery

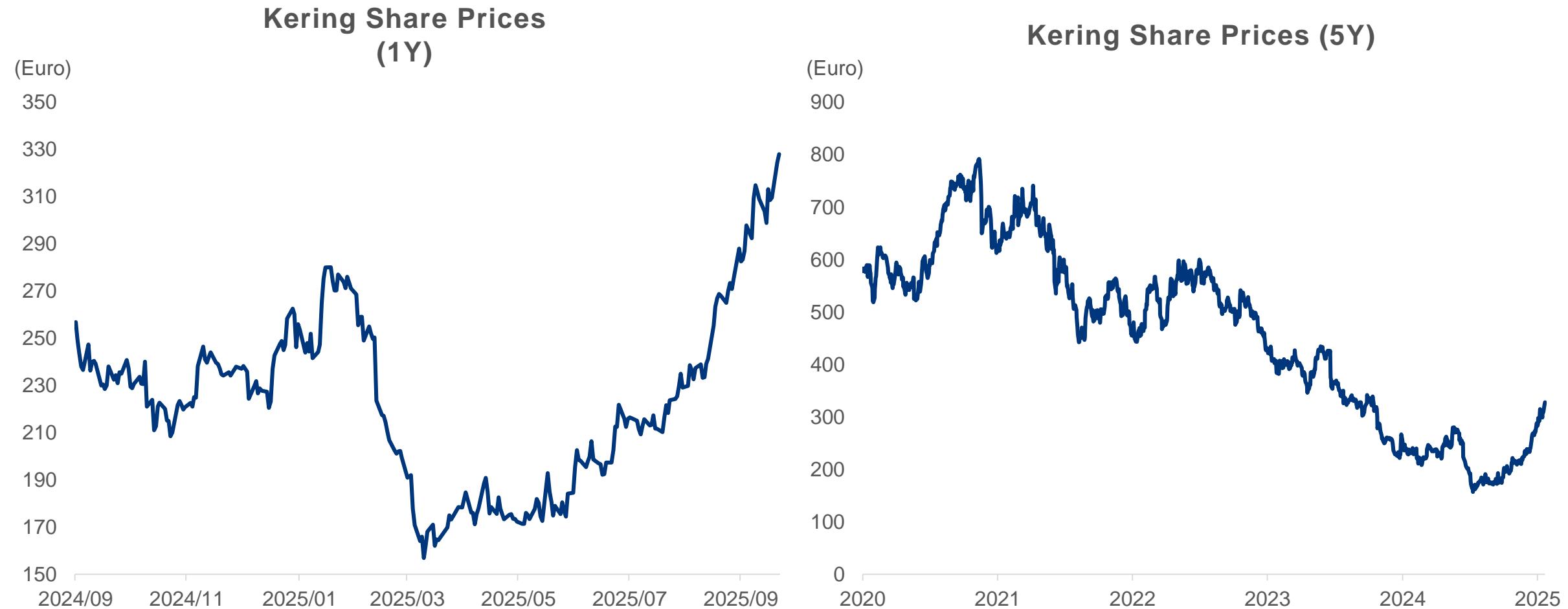
LVMH Led the Pact After a Two Years Downturn



Source: Bloomberg, KGI

European Luxury Company Shares Are Reflecting a China Recovery

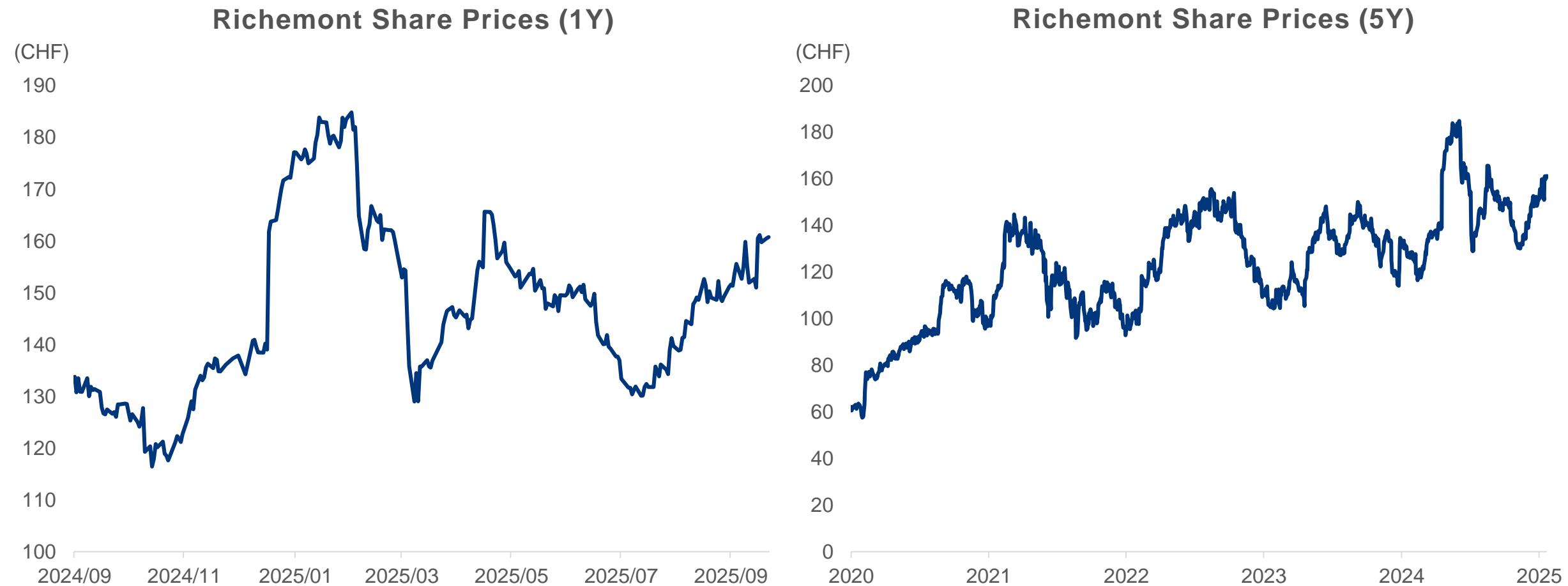
Sharp Rebound in Kering Share Prices After a 3 Years Downtrend



Source: Bloomberg, KGI

European Luxury Company Shares Are Reflecting a China Recovery

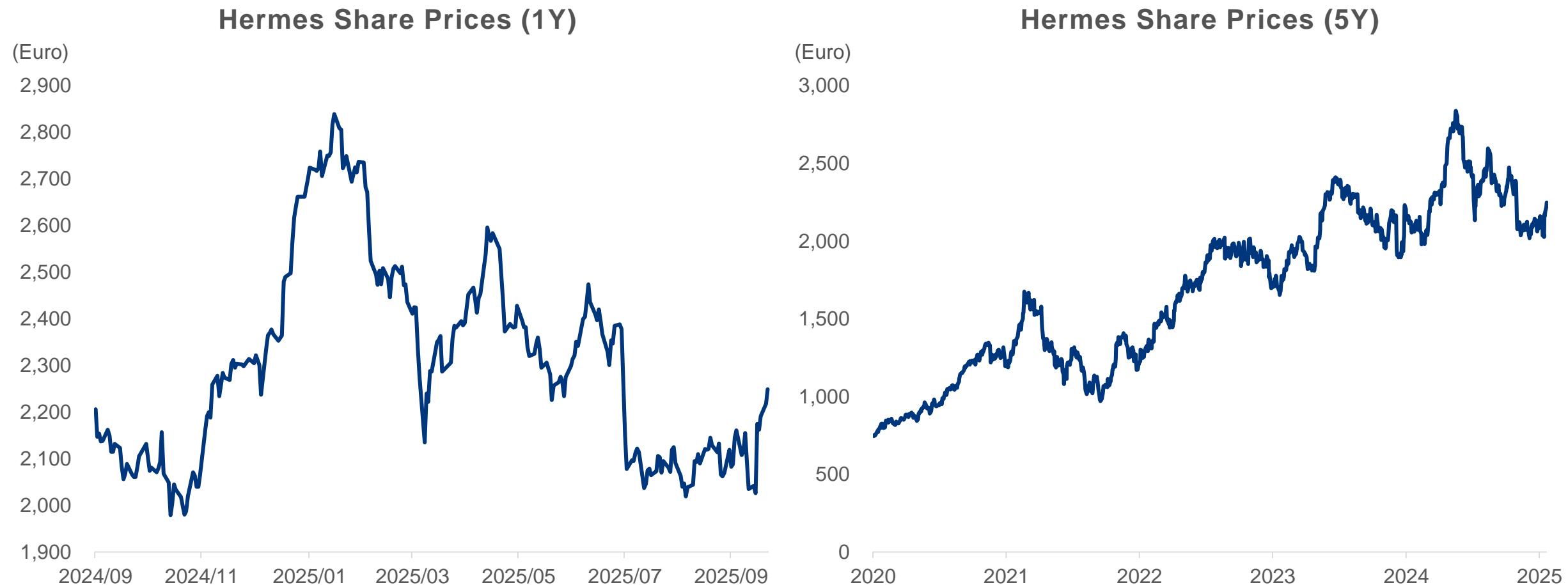
Richemont Share Prices. The 2Q25 Earnings Calls Marked the Bottom of the Share Prices



Source: Bloomberg, KGI

European Luxury Company Shares Are Reflecting a China Recovery

Hermes Outperformed Other Luxury Brands Since 2021 Which Drives a Muted Rebound Since August



Source: Bloomberg, KGI

China Non-Discretionary Spending Is Recovering

It Showed a “Noticeable Improvement” in Trends Compared to Prior Quarters

- LVMH, the world's largest luxury goods conglomerate, released its Q3 2025 sales figures on October 14, 2025, marking the first quarterly organic growth of the year amid a challenging environment for the sector.
- Overall Performance: Revenue for Q3 reached €20.2 billion, reflecting 1% organic growth year-over-year—the first positive quarter after declines in Q1 (-3%) and Q2 (-1%). For the first nine months, revenue was €58.1 billion, down 2% organically. The improvement was broad-based across most regions and business groups, though Europe saw a dip in tourist spending due to currency effects. Exchange rates negatively impacted reported figures by -5% in Q3.
- China Operations: **it showed a "noticeable improvement" in trends compared to prior quarters, contributing to the overall Q3 rebound.** Local demand stabilized, aided by targeted initiatives like Louis Vuitton's **"The Louis"** experiential space in Shanghai, which attracted significant footfall.



China Headline Retail Sales Growth Is Still Sluggish

1) the Econ Data Is Backward Looking; 2) the Non-Discretionary Portion Account for a Small Part of Retail



Source: Bloomberg, KGI

CR Land Shopping Malls

Tenant Sales Surged 20% YoY

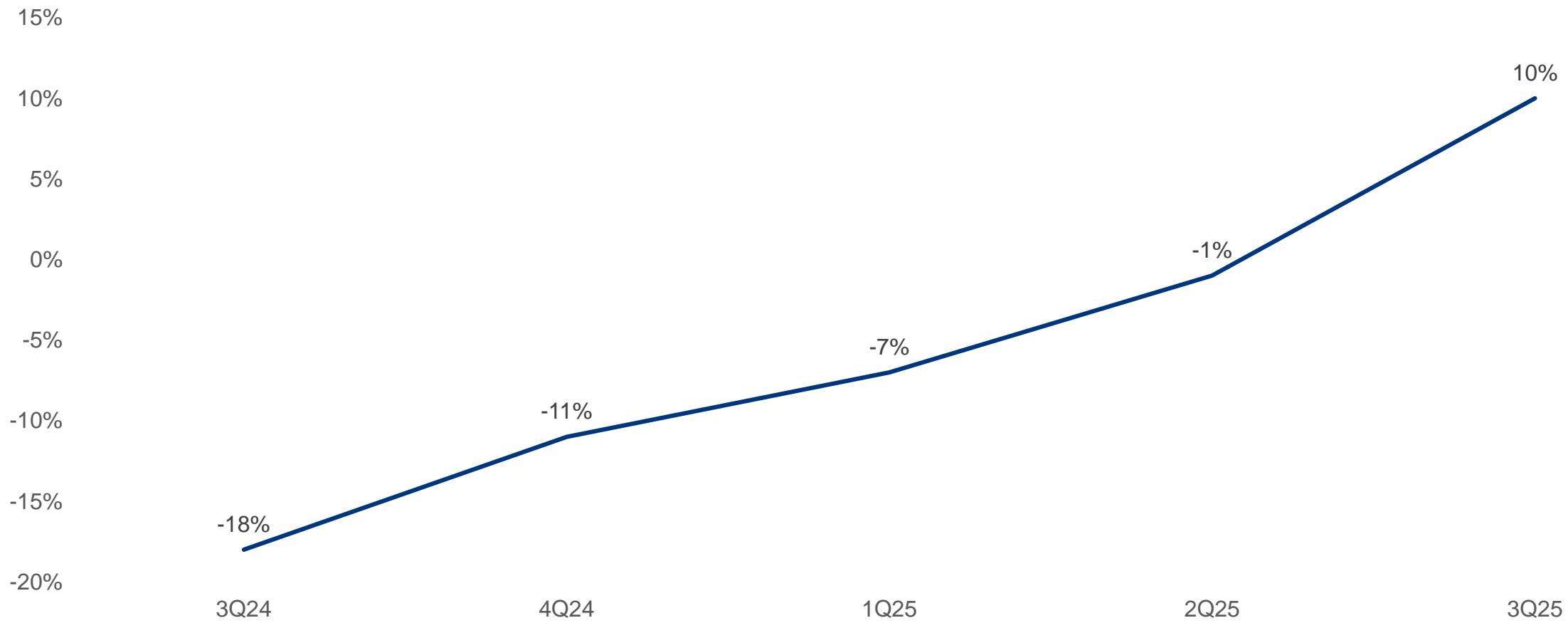
- Shopping mall revenue reached RMB10.42 billion, up 9.9% year-over-year (YoY), contributing significantly to the investment property segment's total revenue of RMB12.11 billion (up 5.5% YoY). The segment's gross profit margin improved to 72.9% (up 1.4 percentage points YoY), with malls achieving a record-high operating profit margin of 65.9%.
- **Retail tenant sales totaled RMB110.15 billion, surging 20.2% YoY—far outpacing China's national retail sales growth—supported by a 97.3% average occupancy rate (stable YoY).** The portfolio's attributable GFA grew 13.3% YoY to 8.95 million sqm, with a carrying value of RMB223.51 billion (19.5% of total assets) and a revaluation gain of RMB5.14 billion.
- The asset-light management arm, CR Mixc Lifestyle, managed 125 malls (including 14 luxury ones), with revenue of RMB8.52 billion (up 6.5% YoY) and core net profit of RMB2.01 billion (up 15.0% YoY). It ranked top-three in local retail sales for 104 projects (up 20.9% YoY), with MIXC STAR membership hitting 72.37 million (up 18.5% from end-2024).



Hang Lung Properties, One of the Largest Mall Operators in China

Its Tenant Sales Have Improved From -18% to +10% YoY Over the Last 12 Months

Mainland Tenant Sales YoY%



Source: Hang Lung Properties, KGI

Swire Properties, Another Major Shopping Mall Operator in China

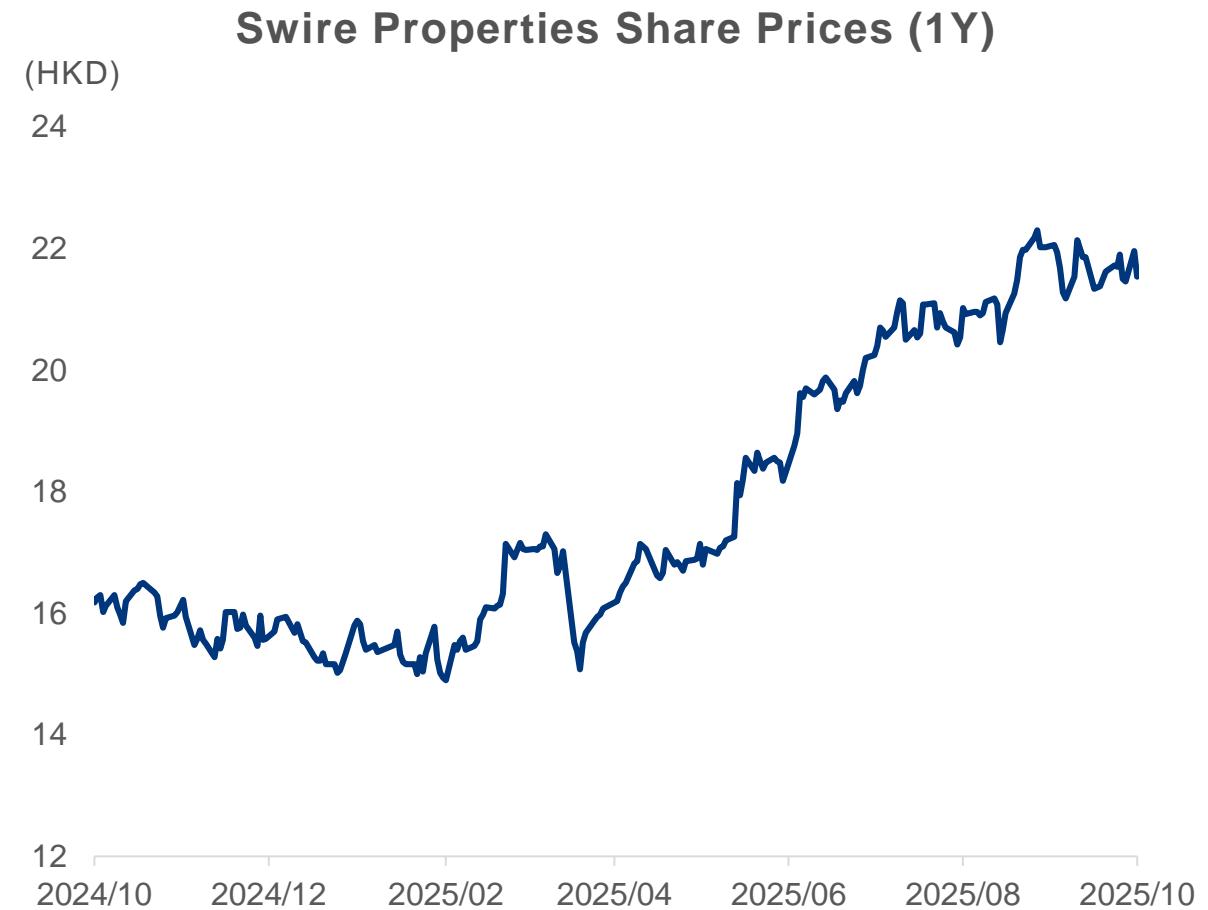
In August, the CEO Commented Positive Signs of the Recovery Across Malls in China

- "Continuing with the retail, while also challenging, **we do see more positive signs of the recovery across our malls in the Chinese Mainland**. And our two malls in Shanghai, Taikoo Li and Taikoo Li Sanlitun have outperformed. Overall retail sales grew by 1% year on year on an attributable basis, significantly ahead of sales in the 2019. And attributable gross rental income was positive in renminbi terms. Occupancy rates remain high across the whole portfolio and the triple valuation increased 4%." **CEO of Swire Properties during the results announcement.**
- Retail sales grew 1% year-over-year (up to June 2025) on an attributable basis, significantly outperforming 2019 levels, with positive signs of recovery across malls, particularly in Shanghai's Taikoo Li and Beijing's Taikoo Li Sanlitun.



China Mall Landlords Have Already Gone up in Prices

Gain Exposure to This Recovery Through European Luxury Companies or China Non-Discretionary Retail



Source: Bloomberg, KGI

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