Cusson Leung, Chief Investment Officer

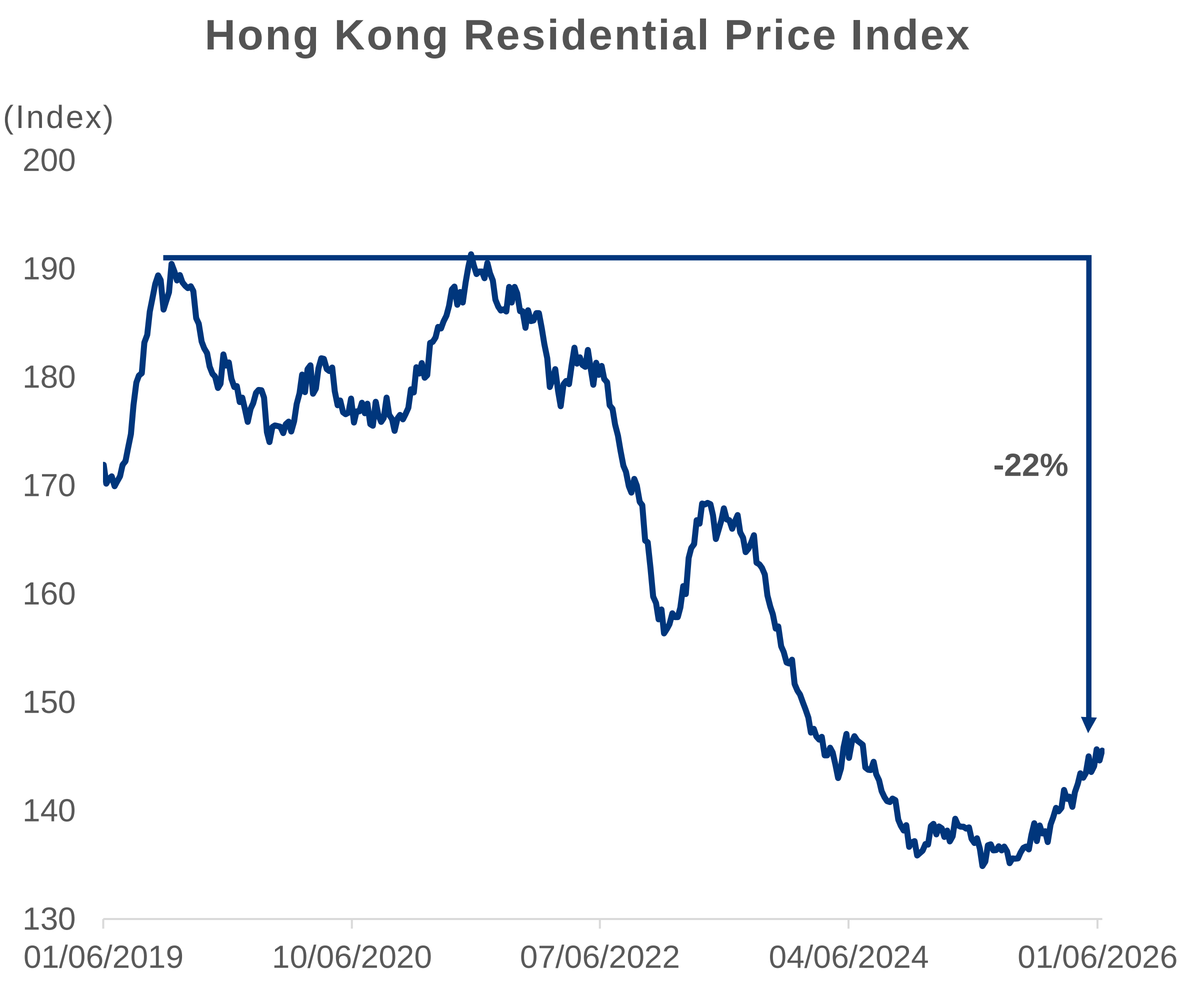
Going Elsewhere When It Is Crowded

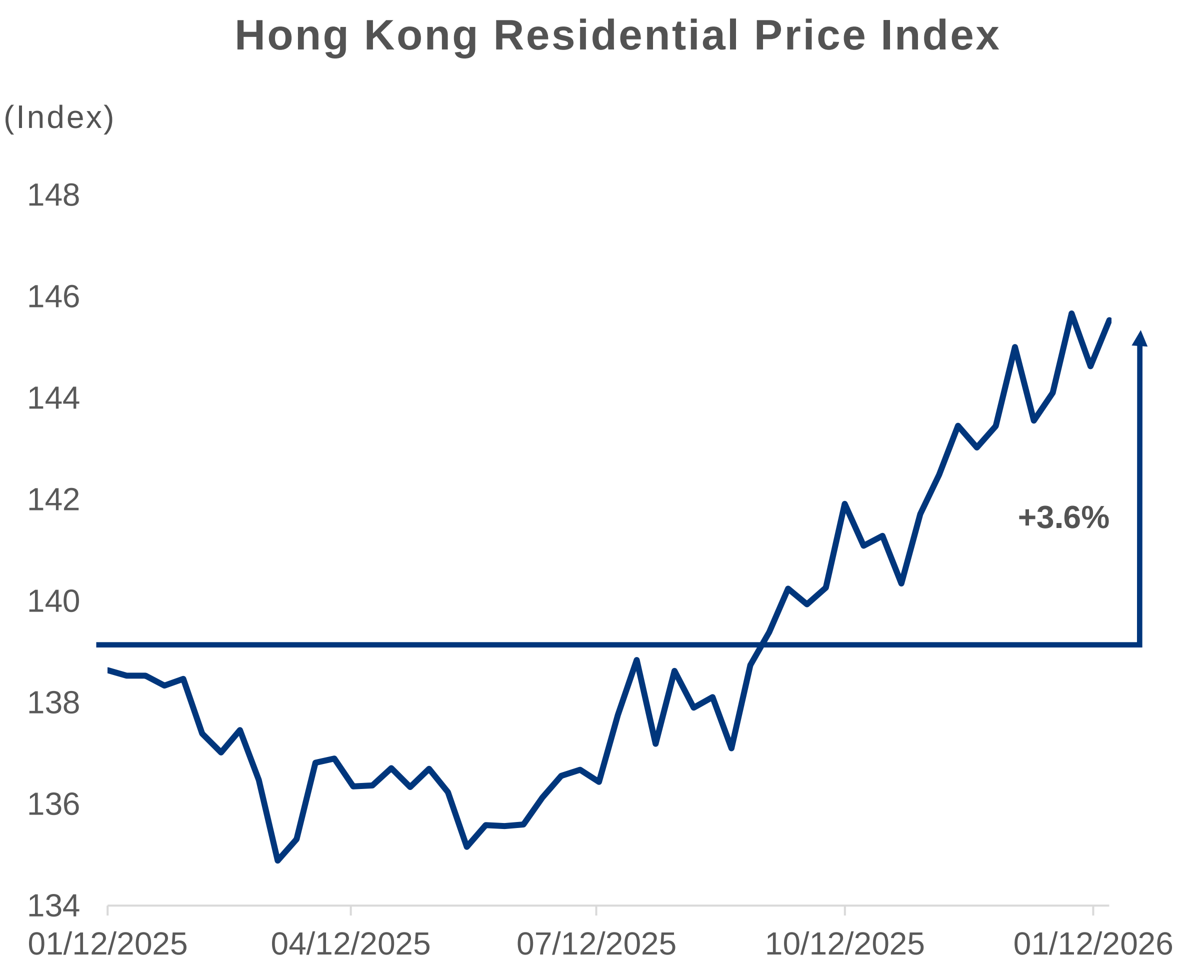
Let's Go Shopping - Hong Kong Retail Recovery as the Next Catalyst

30 January 2026

Hong Kong Residential Prices Back to the Uptrend

It Is Still 22% Cheaper Than the Peak in 2022





Source: Bloomberg, KGI

Positive Drivers Pointed Out by KGI in Early 2025

At a Time When Majority of the Market Believes There Are More Downside to Property Prices

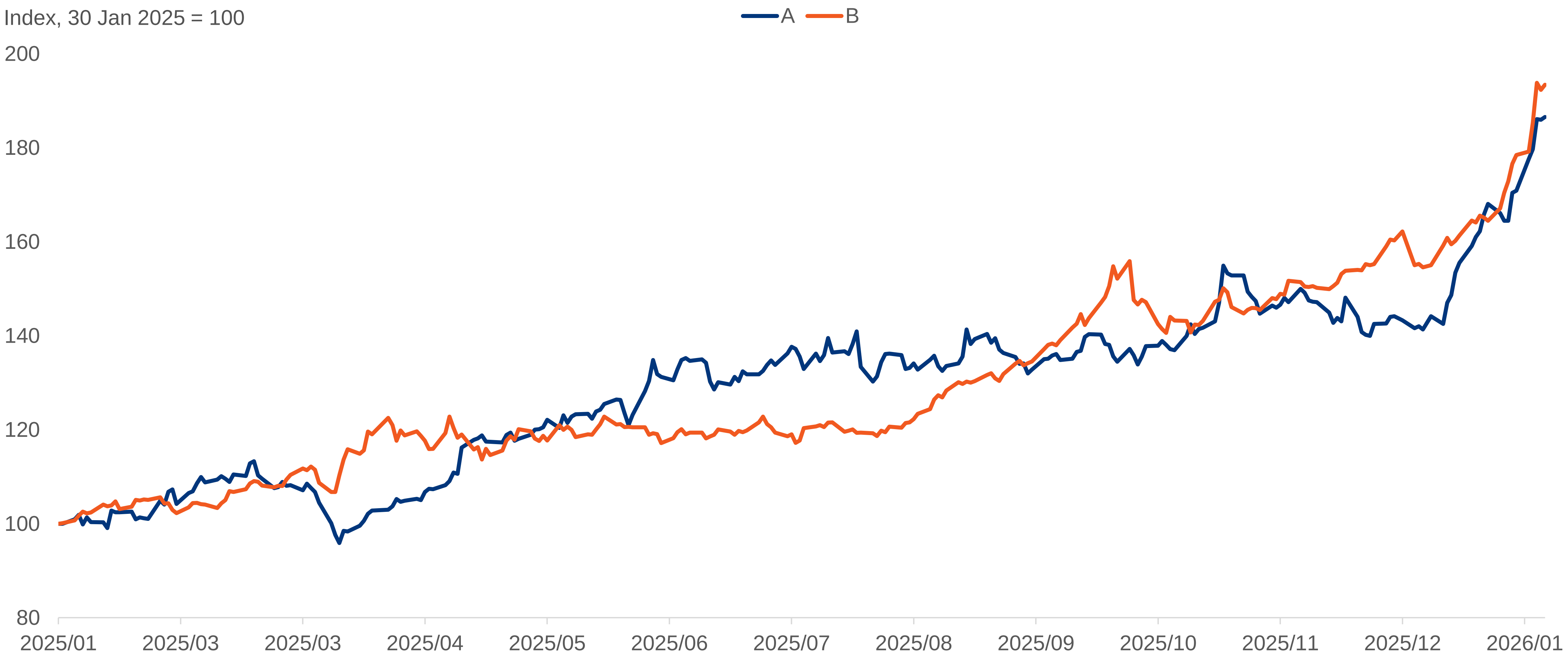
KGI's reasonings in early 2025 = Major investment banks' reasonings in early 2026

- Strong rental momentum – improving rental yield
- Improving investment sentiment
- Improvement in affordability after the correction over the last 4 years
- Low-leverage in the banking system – overall LTV was only 22%
- Population revert to growth trend (driven by immigration) to support rental demand and purchasing power
- Abundant liquidity in the banking system – Hong Kong monetary base increased 3 times from 2008
- Limited land supply during the last few years is expected to drive significant drop in supply from 2027

Source: KGI

Two of the Hottest Investments in 2026

One of them is Gold but which one is which?



Source: Bloomberg, KGI

In Nov 2025, We Said Commercial Properties Have Bottomed

The Rise in Property Stocks Reflects Improvement in Both Residential and Office Markets

2025/11/21

Commercial Real Estate Is No Longer a Drag to Developers

Bottoming Out of Sentiment in Both the Office and Retail Markets

Office Market

- Positive absorption with better sentiment and sizable deals
- Demand from the finance industry and mainland China firms
- Upgrade demand to Central or prime-located buildings as rents become affordable after correction
- Expect negative rental reversion to narrow; flat rental reversion by end 2026

Retail Market

- Continued mild recovery in retail sales (Sep 25 sales saw widened growth despite 3 Typhoons)
- Turning to flat rental reversion in mid-2026
- Positive tourism growth, stronger RMB & wealth effect
- Shopping malls gaining market share from street level shops

Answer to the previous page: A: Sun Hung Kai Properties, B: Gold

Source: KGI

First QoQ Office Rental Improvement Since 2Q22

Every Dog Has Its Days

4Q25			Avg Rent (HK$/sqft)	4Q25 Q/Q	4Q25 Y/Y	4Q25 vs. Peak	Cap Rate	Cap Rate QoQ	Vacancy	Vacancy QoQ
Office	Overall	Rental	46.5	0.7%	-1.5%	-39%	3.2%	0.05%	14.1%	0.7%
		Capital Value	17,257	-0.8%	-6.7%	-50%				
	Central	Rental	73.9	1.5%	-0.4%	-43%	3.2%	0.08%	11.0%	0.0%
		Capital Value	27,817	-1.0%	-7.2%	-53%				
	Wanchai / CWB	Rental	45.9	0.4%	-2.4%	-37%	3.2%	0.03%	10.8%	-1.2%
		Capital Value	17,359	-0.7%	-6.8%	-47%				
	TST	Rental	41.9	1.2%	-0.7%	-23%	3.5%	0.06%	7.2%	-0.5%
		Capital Value	14.365	-0.5%	-5.3%	-37%				
	HK East	Rental	33.2	-0.4%	-9.7%	-40%	3.5%	0.01%	13.1%	0.0%
		Capital Value	11,535	-0.7%	-11.4%	-48%				
	Kowloon East	Rental	24.1	-1.2%	-0.6%	-30%	3.1%	-0.02%	19.4%	-0.5%
		Capital Value	9,224	-0.4%	-4.5%	-44%				
Retail	Prime Retail	Rental	90.5	-2.6%	-9.1%	-46%	4.8%	0.02%	9.9%	0.2%
		Capital Value	22,625	-3.0%	-10.0%	-46%				
	Street Shops	Rental	194.7	-2.8%	-7.7%	-74%	2.7%	0.04%	n/a	n/a
		Capital Value	85.621	-4.4%	-17.1%	-76%				

Source: Jones Lang LaSalle, KGI

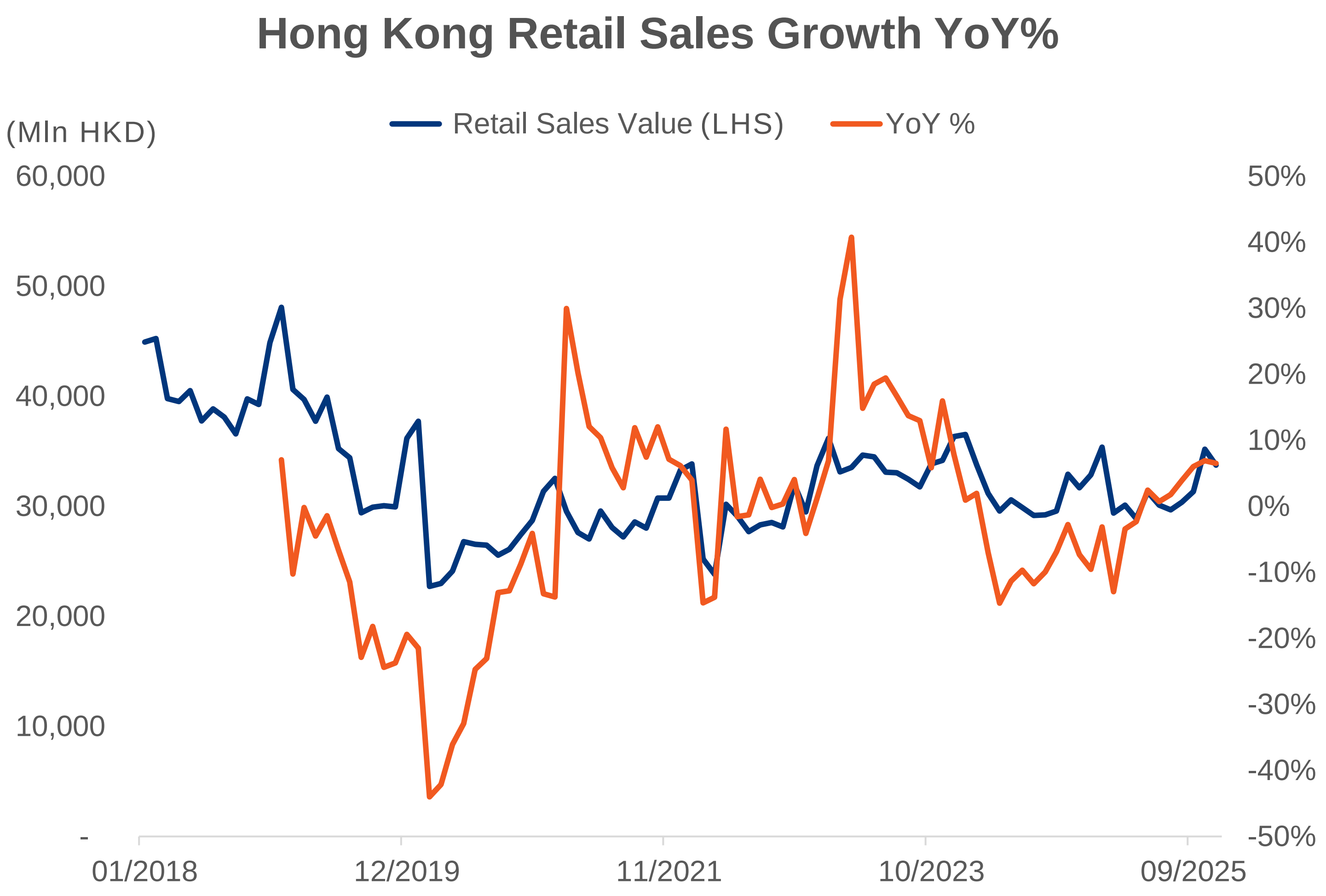
Retail Appears to Be the Remaining Catalyst for the Stocks

It Is a Challenging Argument Now but So Did Residential and Office Market in 2025

- Hong Kong retail sales is at 78%of the 2018's level which was in line with overall tourist level at 77% of 2018's level
- There doesn't seem to be a significant drag on retail sales from outbound domestic consumption
- If per capita spending by tourists have been falling driven by more same-day travel, this implies spending per capita by the local has increased
- Two key drivers for retail sales:

  1) Strength in RMB to drive increasing tourist spending

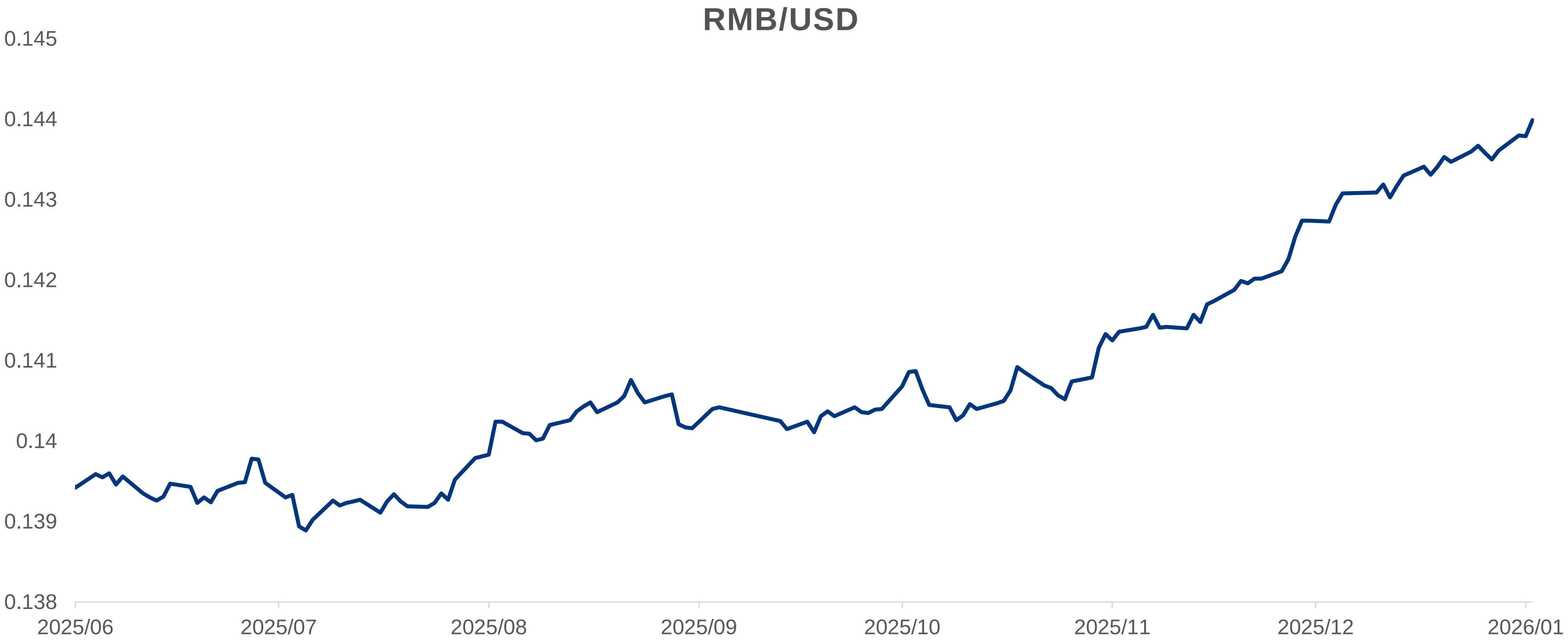
  2) Positive wealth effect to improve local spending power



Source: Bloomberg, KGI

RMB Is Riding on the US Weakness and Capital Flight to Safety

Mainland Tourists' Spending Power Is Increasing



Source: Bloomberg, KGI

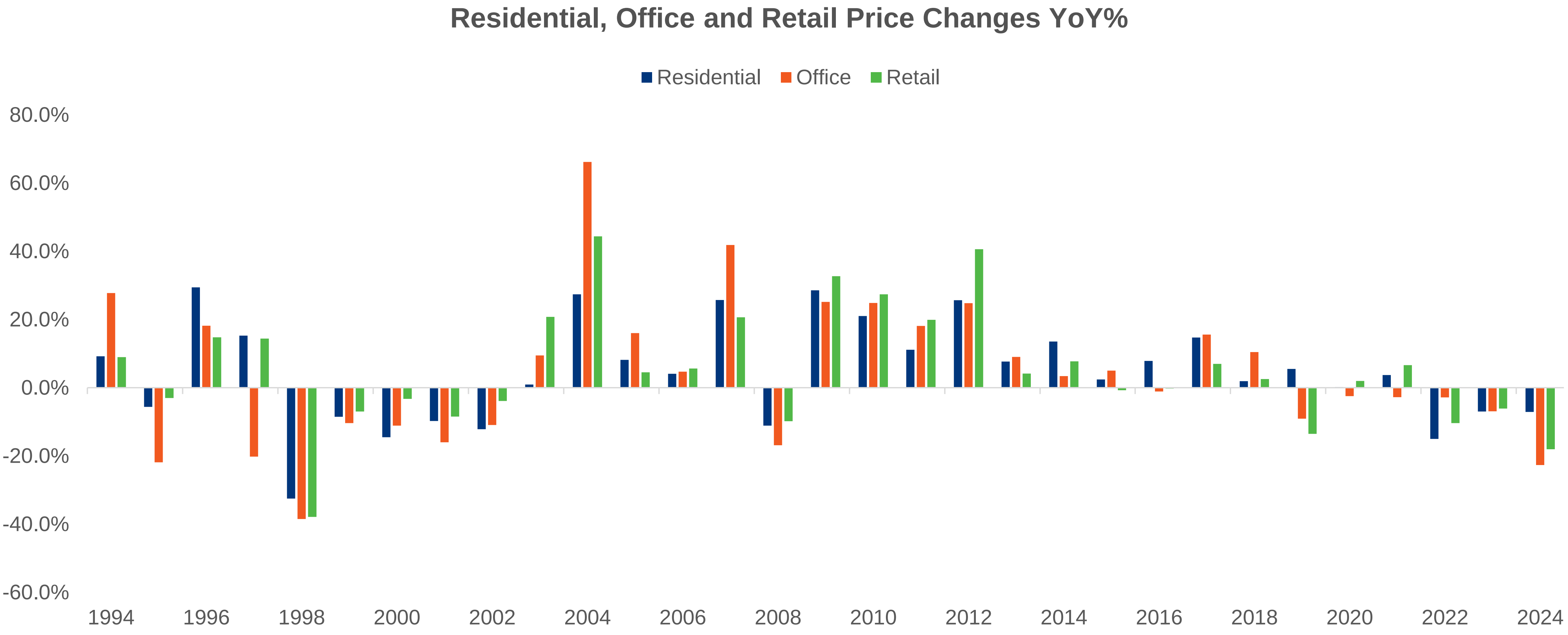
Consumption Confidence Reinforced by the Stock Market

Source: Bloomberg, KGI

KGI

Residential, Office and Retail Tend to Move Together

This happens 80% of the last 31 years



Source: Bloomberg, KGI

Where Can We Find Hong Kong Retail Exposure?

That will be the last engine to sustain the re-rating

	SHKP	Henderson Land	CK Asset	Sino Land
Agricultural land	4%	9%	2%	0%
Hong Kong property development	16%	18%	18%	25%
Hong Kong property investment				
Office	13%	27%	10%	12%
Retail	$\boxed{31\%}$	16%	9%	$\boxed{25\%}$
Hotel	3%	-	11%	5%
China	20%	13%	7%	12%
Others	13%	18%	44%	21%
Total	100%	100%	100%	100%
Gross NAV (HK$/Per share)	236.5	91.6	91.9	13.6
Net debt (HK$/Per share)	-32.9	-30.9	-8.4	5.4
NAV (HK$/Per share)	203.6	60.7	83.5	19.0

	Swire Properties	Hongkong Land	Wharf REIC	Hang Lung Properties
Agricultural land		0%	0%	0%
Hong Kong property development	4%	0%	0%	3%
Hong Kong property investment				
Office	30%	44%	24%	5%
Retail	13%	15%	$\boxed{60\%}$	14%
Hotel		2%	7%	
China	47%	25%		72%
Others	6%	15%	10%	5%
Total	100%	100%	100%	100%
Gross NAV (HK$/Per share)	53.5	13.4	65.0	36.8
Net debt (HK$/Per share)	-8.7	-1.3	-11.0	-9.5
NAV (HK$/Per share)	44.8	11.7	54.2	27.3

Source: KGI estimates

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