Chief Executive's Review

Overview

2025 was a landmark year for Hongkong Land, as we took significant steps to reshape our business and build investment capacity to advance our ambition to become the leader in Asia's ultra-premium integrated commercial property sector. While operating conditions remained challenging in some market segments, we delivered on several significant capital recycling initiatives, established our inaugural private real estate fund, continued to drive operational excellence across our core portfolios, and proactively managed costs to further strengthen our financial position.

Building on the strategic clarity outlined in our Strategic Vision 2035, we focused our efforts on simplifying the Group's portfolio, improving capital efficiency, and strengthening the foundations for long-term growth. Our disciplined execution—ranging from asset divestments to working with third-party capital partners and re-investing in our portfolio anchors—demonstrated both the scarcity and resilience of our portfolios and our commitment to positioning the business for the future.

Delivering on Our Strategic Priorities

Capital Recycling

We made substantial progress on capital recycling in 2025. Completed or announced net proceeds recycled as at the end of February 2026 totalled US$3.6 billion, including the disposal of certain floors of One Exchange Square to the Hong Kong Stock Exchange (US$0.8 billion), the recycling from the build-to-sell segment and other assets (MCL Land: US$0.7 billion; Chinese mainland & others: US$0.8 billion), as well as the formation of the Singapore Central Private Real Estate Fund (SCPREF) and resulting disposal of our 33⅓% interest in Marina Bay Financial Centre Tower 3 (MBFC Tower 3) in Singapore (US$1.3 billion). This represents 90% of our target to recycle at least US$4 billion by the end of 2027.

Wind Down of Build-to-Sell Business

In line with its announced strategic pivot, the Group no longer pursues investments in its build-to-sell segment, and is focused on accelerating the return of capital via divestments and inventory sales. To date, the Group made considerable progress in recycling capital from its build-to-sell portfolio, realising some US$800 million from inventory sales primarily from the Chinese mainland.

In October, the Group also completed its exit from the Singapore and Malaysia build-to-sell business via the divestment of MCL Land to Sunway Group. The transaction was undertaken at net asset value, with net proceeds recycled amounting to over US$650 million.

On the Chinese mainland, the Group took proactive steps to accelerate the return of capital from its build-to-sell portfolio, despite market conditions remaining difficult during the year. An organisational restructuring was initiated to optimise resourcing to retain expertise and ensure committed projects are completed to the Group's usual high standards. The restructuring has resulted in around US$15 million in cost savings for 2025, and is expected to result in annual savings of approximately US$50 million by 2028.

As a result of deteriorating market conditions on the Chinese mainland, the Group undertook a thorough review of the carrying value of its build-to-sell inventory at year-end. In order to drive sales velocity and align pricing to accelerate the return of capital, the Group recognised non-cash provisions of US$372 million (post tax) on selected projects where realisable selling prices have fallen below development cost.

Shareholder Returns

Net proceeds from capital recycling transactions have improved shareholder returns and strengthened our balance sheet, building significant capacity for new potential investment opportunities and investment in share buybacks.

We continued to enhance shareholder value through an active share buyback programme financed by the proceeds from our capital recycling initiatives. Total share buyback invested up to the end of February 2026 amounted to over US$330 million, reducing our issued share capital by 2.4% and delivered accretive returns to shareholders.

The buybacks together with an increase in dividends per share, from US¢23.0 in 2024 to US¢25.0 in 2025, reflect our confidence in the Group's strategic direction and long-term prospects, and we expect to continue deploying recycled capital into buybacks where valuations are attractive.

Third Party Capital

In February 2026, the Group announced the establishment of its first private real estate fund – SCPREF with US$6.4 billion of assets under management (AUM) with Qatar Investment Authority and APG Asset Management as founding investors. SCPREF was seeded with some of Singapore's highest-quality commercial real estate assets, including equity interests in One Raffles Quay, Marina Bay Financial Centre Towers 1 and 2, One Raffles Link and Asia Square Tower 1, representing 2.6 million sq. ft of effective net lettable area.

The fund represents a significant milestone in the execution of the Group's strategy to build a scalable third-party capital platform, broadening our investor base, and diversifying income through fee-based revenues. As the manager of SCPREF, the Group intends to pursue growth opportunities of prime commercial properties focusing on the Marina Bay and Orchard Road districts.

An Overview of Our Results

Underlying profits were lower than the prior year, primarily due to lower contributions from the Hong Kong Central Portfolio. Rental reversions for Hong Kong office were negative during the year, although leasing sentiment saw steady improvement on the back of a recovery in capital market activity. The Hong Kong retail portfolio saw temporary impact to rental income from the ongoing Tomorrow's CENTRAL transformation. This was partially offset by a strong performance from Singapore office, driven by effectively full occupancy and positive reversions.

Hong Kong

The Group's Central office portfolio remains firmly positioned amongst some of the most sought-after prime office space in the market, having continuing to benefit from the global flight to quality trend despite subdued market sentiment in recent years. Leasing momentum improved steadily throughout the year, with significant increase in enquiry levels driven by the recovering capital market sentiment and a robust IPO pipeline. Vacancy on a committed basis declined to 6.0% by year-end, compared to 7.1% at the end of 2024. Average rents during the year declined by 7% to HK$94 per sq. ft. The weighted average lease expiry of the office portfolio at the end of 2025 remained healthy at 3.6 years.

The LANDMARK retail portfolio demonstrated strong resilience, with contributions declining by only 8% compared to the prior year despite over one-third of lettable space under renovation during the year. Overall customer spending in 2025 declined marginally compared to the prior year but remained the fourth highest over the past decade. The ultra-high-net-worth segment also remained strong, with top-tier customer spending increasing 8% compared to prior year, reflecting the continued appeal of LANDMARK as Hong Kong's premier luxury destination. Average rents increased by 12% in 2025 to HK$236 per sq. ft, due to positive rental reversions and a number of new long-term leases becoming effective during the year. Excluding the impact of ongoing renovations, LANDMARK remained effectively fully occupied.

Singapore

The Group's Singapore office portfolio delivered a solid performance during the year, supported by tight supply dynamics and sustained flight-to-quality demand in the central business district. Vacancy on a committed basis at the Group's office portfolio was 2.7% at the end of 2025. Average rents in 2025 increased to S$11.5 per sq. ft from S$11.1 per sq. ft in 2024 due to the positive rental reversions.

The Group's economic interest in its Singapore portfolio changed in February 2026 with the establishment of SCPREF. MBFC Tower 3 was sold at above its fair market value with net proceeds of US$0.7 billion received on 31 December 2025. The Group now has a circa 50% interest in SCPREF and will earn management fees in its capacity as the fund manager.

Chinese Mainland and Macau

Contributions were lower this year mainly due to pre-opening costs incurred for a number of pipeline projects on the Chinese mainland expected to launch from 2027 onwards, and lower rents in Macau due to ongoing renovation works and planned tenant movements.

Build-to-Sell

As the Group had moderated its pace of land banking since 2022 and no longer deploys capital into new projects, earnings from the build-to-sell segment is expected to continue declining as capital is recycled from the portfolio. Excluding non-cash provisions recognised at year-end, contributions declined by 44% to US$127 million in 2025.

To improve transparency of the Group's earnings, the build-to-sell segment has been reclassified as a non-trading item, as the portfolio is no longer an area of strategic focus for the Group.

Portfolio Valuations

As at 31 December 2025, the total valuation of the Group's portfolio of Prime Properties Investment increased by 3% from the end of 2024. In Hong Kong, the Central portfolio valuation increased for the first time since market rents began to decline in 2019, primarily due to higher market rents for the LANDMARK, as well as stable cap rates and market rents for office. Valuations of the Singapore and Westbund Central portfolios also increased in the year, reflecting improved rental outlooks. Valuations for the Group's investment properties portfolio across other regions remained broadly unchanged.

In line with its new strategic focus on developing and managing prime commercial assets, the Group has reclassified its portfolio of assets previously held for medium-term lease from the build-to-sell segment to investment properties. This portfolio comprises, both existing and under development, lifestyle retail, office, and residential assets on the Chinese mainland. The Group's attributable interest in this portfolio amounted to US$3.8 billion as at year-end. As these assets now form part of investment properties, they will be fair market valued every six months.

The Group's AUM reflects gross asset values (on a 100% basis) of leasing assets under the Prime Properties Investment segment in which the Group acts as asset manager and retains an equity stake. At the end of February 2026, the Group's AUM reached US$50 billion, benefiting from the establishment of SCPREF and higher investment properties valuation.

Progress on Major Portfolio Initiatives

The Group's development pipeline reflects our strategic pivot toward ultra-premium commercial properties in Asia gateway cities and positions us for significant future rental growth as assets reach completion and stabilisation.

In Hong Kong, substantial progress was made on the Tomorrow's CENTRAL transformation of LANDMARK. In addition to the opening of Sotheby's flagship retail space in 2024, another two of the ten flagship Maisons were opened in late 2025. The new Prada flagship is the brand's largest Asia Pacific boutique, spanning three floors and approximately 14,000 sq. ft of retail space. Saint Laurent has its stunning duplex flagship store prominently located on Queen's Road Central. These openings provide a glimpse of the future of luxury retail in LANDMARK. Upon completion, LANDMARK will house 10 world-class multi-storey Maison destinations, over 200 luxury retail stores and around 100 F&B concepts, meeting luxury tenants' demand for expanded experiential retail space to serve our deep pool of loyal and discerning customers. Tomorrow's CENTRAL is just one example of how we work with our partners – our willingness to invest in our own properties to unlock greater value for our tenants to ensure we both achieve sustainable growth over the long-term.

Our flagship Westbund Central development in Shanghai reached several key milestones in 2025. Phase 2 of the project has a total GFA of 168,000 sq. m. comprising four Grade-A office towers, rental apartments, and retail space. The office component with a total GFA of 78,000 sq. m. has been fully committed, with anchor tenants progressively taking possession – including adidas and lululemon. Over 170 units of rental apartments were launched in October 2025 and were over 50% occupied by year-end. Finally, the lifestyle-focused retail component of Phase 2 is on track to open in mid-2026 having already achieved a pre-leasing rate of over 75%.

Other retail-led mixed-use projects in Suzhou and Chongqing also made steady progress, with openings currently scheduled in 2027. These developments will introduce new CENTRAL series destinations with integrated luxury retail offerings, enhancing the Group's long-term presence in key Chinese mainland markets.

2026 Outlook

While the positive market momentum in Hong Kong and Singapore are likely to continue into 2026, trading conditions on the Chinese mainland is expected to remain challenging.

For 2026, the rental reversions for the Hong Kong office portfolio will remain negative, although the magnitude of decline is expected to narrow as market rents return to mild growth. While rents for best-in-class buildings in Central have already stabilised with vacancies on a declining trend, the positive impact on rental income will unfold steadily as leases expire and rents revert to market levels. Operations at LANDMARK will continue to be affected by Tomorrow's CENTRAL transformation, but positive rental reversions are expected from the phased opening of new Maisons and other new concepts. The Group also intends to pursue growth opportunities in Singapore via SCPREF, as well as to manage costs and improve operating efficiency of existing portfolios. Overall, we expect 2026 underlying profits to remain largely unchanged compared to the prior year.

Looking Forward

Looking ahead, the Group remains relentlessly focused on executing its strategy and progressing towards its long-term objectives. Having established deal sourcing and fundraising capabilities, as well as its inaugural private real estate fund, the Group is actively assessing both new integrated commercial property projects, as well as acquisition opportunities to grow SCPREF. Efforts to recycle capital from selective parts of the Group's balance sheet and generate cash from the sale of build-to-sell inventory will continue, further increasing new investment capacity. As we enter the next phase of our multi-year journey, we will continue to ensure the Group continues to maintain a strong financial position, as well as a disciplined and consistent approach to capital allocation.

2026 will also be an important year to maintain the strong momentum built on initiatives to grow our portfolio anchors, including Tomorrow's CENTRAL in Hong Kong, and progressively launching the Group's pipeline of ultra-premium properties currently under development – such as Westbund Central in Shanghai.

We take pride in delivering outstanding services and products to our tenants and customers by upholding the highest quality standards in the design, operation, and sustainability performance of our properties. These core values have served as the foundation of Hongkong Land's long-term success. With a clear strategy, a high-quality portfolio, and a robust financial position, our focus continues to be fixed on delivering value and growth.

Michael T. Smith
Chief Executive